



Fuller Peiser Chartered Surveyors Value and Sell Property and Plant

NEWS SUMMARY

GENERAL Thorn attacks 'greedy Britain'

EC President Gaston Thorn accused Britain of national egoism and greed...

Earthquake hurts 80 in Japan

An underwater earthquake - 7.3 on the Richter scale - off Hokkaido, Japan, caused tidal waves...

West Bank clash

Five were wounded when Israeli troops fired shots to break up demonstrations...

Walesa absent

Poland's military authorities kept interned Solidarity leader Lech Walesa away from his baby daughter's christening...

Zimbabwe call-up

Zimbabwe Premier Robert Mugabe said all able men in the country would undergo military training...

Ban welcomed

The Test ban on English players touring South Africa was welcomed by the secretary of India's Cricket Board...

SDP has edge

Roy Jenkins, for the SDP-Liberal Alliance, edged ahead of Conservative and Labour candidates...

Heseltine search

Environment Secretary Michael Heseltine is searching for a black adviser to brief him on problems facing blacks who want to start businesses in inner city areas...

Cosmic inquiry

The U.S. Columbia space shuttle is due to blast off today. It will include a British experiment which will examine cosmic dust in an effort to explain the solar system's history...

Health's attack

Former Premier Edward Heath said society was too concerned with money for its own sake and the amount of interest it could earn when invested...

Animals 'rescued'

Animal liberation supporters broke into a breeding centre in France, Sussex, and snatched guinea pigs they say were destined for vivisection...

MP pipes up

Pipe-smoking MP Keith Stainton protested to British Rail over its decision to ban smoking in its restaurant and buffet cars...

Briefly...

World Champion Nelson Piquet won the Brazilian Grand Prix...

Opec sets ceiling on production in effort to halt price slide

THE Organisation of Petroleum Exporting Countries has for the first time agreed on a production ceiling in an attempt to halt the slide in prices. It has set an effective upper limit of 17.6m barrels a day. Saudi Arabia has decided to cut its own ceiling to 7m b/d, although this is not reflected in the official Opec announcement...

OPEC OIL PRODUCTION AGREEMENT

Table with columns: Country, New estimated maximum output (b/d), Estimated production in early March (b/d)

Laker abandons plans for a 'people's airline'

SIR FREDDIE LAKER has abandoned at least for the time being - plans to set up a 'people's airline'. Instead, he is going into business as an aviation consultant in partnership with Lomrho. They have set up a joint company Sir Freddie Laker Ltd with a capital of £10,000...

Lower Saxony election blow for Schmidt

WEST GERMAN Chancellor Helmut Schmidt's Social Democrat Party suffered an electoral setback yesterday, plunging to its worst voting result in the State of Lower Saxony for more than two decades. The protest party called The Greens scored another in its line of provincial election successes, and will be represented in the Lower Saxony State Parliament for the first time...

Moves to speed cable television development expected today

THE GOVERNMENT plans to announce moves today to speed the development of cable television. But it appears still to be hesitating about a much more ambitious plan to stimulate massive investment in modernising Britain's communications network. The Government is expected to announce that it is setting up a committee to report on the likely implications of allowing cable systems to widen their activities beyond the transmission of normal BBC and commercial television broadcasts...

World Bank to issue bulldog bond

THE WORLD BANK is expected to return to the UK sterling bond market today with a £100m five-year issue through Baring Brothers. The final pricing of the bond will be decided today and the coupon paid is likely to be based on the 13 1/2 per cent partly paid Treasury stock which matures in 1987...

French left heads for setback in cantonal poll

FRANCE'S Socialist-led coalition seemed to be heading for a further electoral setback as the early results in the second round of voting in the cantonal elections emerged last night. Computer forecasts suggested that the combined left-wing parties were doing less well than in the first round last week when they won 49.59 per cent of the vote...

Hard times hit children's pockets

BRITAIN'S CHILDREN are having to make do with less pocket money. The average UK child gets less than 96p a week - 16 per cent less than the £1.15 of a year ago. A Gallup survey for the toy cream side of Birdseye Wall's shows that the curb on parental generosity has hit Northern and Scottish children and teenagers, particularly hard. The survey, which looks at pocket money for five-to-16 year-olds, shows that Northern and Scottish children have seen average pocket money fall from £1.18 a week to less than 78p. Teenagers pocket money, nationally, has fallen by 26 per cent from £1.73 to £1.28...

Advertisement for Fuller Peiser Chartered Surveyors listing services like Selling, Buying, Leasing, Managing, etc.

CONTENTS American Can: regaining right to manage on Merseyside... 20 Computers: Japan plans for the future... 21 Technology: Bosch automated production line... 23 Management: textile machinery buy-out from Sears... 18

West Bank protest continues despite Israeli clamp-down

BY DAVID LENNON IN TEL AVIV

VIOLENT demonstrations and commercial strikes continued throughout the Israeli-occupied West Bank of the Jordan yesterday as the army intensified punitive measures against Palestinians protesting against the dismissal of one of the region's elected mayors and the killing of a demonstrator.

Curfews and restrictions on the movement of many residents were imposed by Israel yesterday. People living in three towns north of Jerusalem were prohibited from crossing to or from Jordan over the river bridges.

Tension increased sharply after soldiers shot dead one young demonstrator in El-Bireh on Saturday and harassed his funeral procession by firing tear gas at the mourners.

The protests followed the dismissal of Mr Ibrahim Tawil, mayor of El-Bireh, because of his refusal to meet the Israeli "civilian" administrator appointed in November to replace the military governor. The Palestinians regard this appointment as part of an Israeli attempt to impose autonomy on the region under Israeli rule.

Autonomy talks postponed after Jerusalem dispute

BY OUR CAIRO CORRESPONDENT

THE LATEST round of talks due yesterday between Egypt, Israel and the U.S. on self-rule for the Palestinians has been postponed, because Egypt refused to accept Jerusalem as the venue for the talks.

Egypt also expressed "great concern" at mounting tension in the occupied West Bank which it said would prejudice the possible future participation of the Palestinians in talks on autonomy.

The problem over the Jerusalem venue arises from Israel's unilateral declaration that the whole of the city is its undivided capital. When the Jerusalem Bill was passed by the Knesset in July 1980 Egypt broke off the autonomy talks for nearly a year.

Egypt maintains that the talks should cover the future of all the 1.2m Palestinians living in the West Bank and Gaza Strip, including those in East Jerusalem, captured by Israel in 1967.

The latest disagreement comes shortly after a similar row over Israel's insistence that President Hosni Mubarak should include Jerusalem in his itinerary for a planned visit to Israel. His refusal has led to the postponement of the trip to an unspecified date.

Mr Ali discussed this and the arrangements for Israel's final withdrawal from Sinai next month with Mr Menzies Begin, the Israeli Prime Minister, last week.

Saudi pressure on Marcos likely

BY JAMES DORSEY IN KUWAIT

President Ferdinand Marcos of the Philippines has begun a four-day visit to Saudi Arabia that may lead to fresh efforts to resolve the decade-old conflict between his country's predominantly Christian population and its 5m Moslems.

After a one-day stop in Jeddah on Saturday Mr Marcos was welcomed in the Saudi capital, Riyadh, yesterday. Both the Saudi Press Agency and newspapers in the kingdom left no doubt that the quest for Moslem autonomy in the Philippines is high on the agenda of his talks with Saudi leaders.

The Philippines have developed close relations with Saudi Arabia in recent years. Thirty per cent of Philippines oil is supplied by the kingdom. The majority of the estimated 250,000 Filipinos working in the Middle East are employed in Saudi Arabia. The two countries are expected to sign an agreement on technical co-operation before Mr Marcos, who is accompanied by 14 members of his Cabinet, departs on Wednesday.

Saudi Arabia heads a committee set up by the 43-nation Islamic Conference Organisation to help bring an end to the guerrilla war waged for Moslem self-rule by the Moro National Liberation Front (MNLF) in the south of the Philippines.

The Islamic Conference Organisation, which has headquarters in Saudi Arabia, has repeatedly urged its members to "exert political, social and economic pressure" on the Philippines to implement an agreement concluded in Libya in 1976 that called for autonomy in certain Moslem areas.

Mahatir calls Malaysian elections

By Wong Sulong in Kuala Lumpur

MALAYSIA'S Prime Minister, Dr Mahatir Mohamed, announced last night that Parliament would be dissolved on March 29 for general elections to be held within 60 days.

He made the announcement after taking the chair at a meeting of the ten parties comprising the ruling National Front coalition. The Front controls 137 of the 155 seats in the federal Parliament and also dominates the 12-state legislatures.

Dr Mahatir said the state assemblies in the 11 West Malaysian states would also be dissolved, but those of Sabah and Sarawak in East Malaysia would continue since they had elections two years ago.

The Prime Minister has several times indicated that he wanted to seek an early mandate since he took over from Tun Hussein Onn eight months ago.

One of Dr Mahatir's prime considerations will be the state of the economy which is expected to deteriorate further as weak commodity prices continue. He has not been able to push through his policies as fast as he wished because of obstruction from the "old guard" entrenched in positions of influence at federal and state levels.

Swiss exports hit by stronger franc

By John Wicks in Zurich

FOREIGN demand for Swiss capital goods and domestic investment activity fell in the final quarter of 1981, according to a report from the Government's economic study commission in Bern.

Export business was hit particularly by the strengthening of the Swiss franc against all other major currencies. The commission adds that foreign demand will keep falling if the exchange rate remains at current levels, especially in relation to the D-Mark.

The commission foresees a fall in Swiss production as a result of the deterioration in order volumes, excessive stocks and the expectation of a further drop in orders in the coming months.

FESTIVAL OF INDIA OPENS TODAY

Thatcher hopes to heal rifts with Gandhi

BY ALAIN CASS, ASIA EDITOR

THE IRON ladies of East and West met for what both sides hope will be a friendly feast this week when Mrs Indira Gandhi, India's battle-hardened Prime Minister, comes to Britain for her second meeting with Mrs Margaret Thatcher.

The last time the two first ladies met they disagreed about almost everything. Little has changed since but, this time Whitehall and Number Ten appear to be going all out to ensure that no blood is spilled.

The meeting takes place against the background of the Festival of India, which Mrs Gandhi will inaugurate at the Festival Hall today. This unique event is likely to dominate the Arts in Britain for eight months.

The festival also has an underlying political significance. Both governments hope it will help to smooth relations between Britain and its former colony. Since the end of the Raj in 1947 these have been prickly and sometimes downright hostile.

It is also hoped that the festival will help community relations in Britain through a sympathetic portrayal of Indian culture. Mrs Thatcher is said to be devoting a "wholly unusual" amount of her time to the Indian Prime Minister in what

seems to be a major fence-mending exercise. However, only two hours of formal talks are scheduled for the week.

Mrs Gandhi is not bringing any ministers with her which suggests that, on the political front at least, she regards the other as irredeemable.

The two leaders clashed on the key foreign policy issues of Afghanistan, the Vietnamese invasion of Kampuchea and the U.S. plan to re-arm Pakistan as part of its efforts to forge a defence line against the encroachment of Soviet power, when Mrs Thatcher was in Delhi last year. The Tory Government's Nationality Act was also a source of friction.

Whitehall officials insist that the two "get on very well personally," one reason being because they are both "strong-headed" and "like a good argument."

Be that as it may, the talks on the economic front are likely to prove more fruitful as India begins to look to the West for technology, expertise and finance. Britain remains the single largest aid donor to India. Gross payments reached £140m in 1980-81. Britain's visible trade surplus with India has risen since 1978 reaching £213m in the same year.



Mrs Indira Gandhi: battle-hardened

The potential for contracts is considerable—including the possibility of India buying more Jaguar fighter aircraft—and Britain hopes to make some progress on these during this week's talks.

The Indians, for their part, are attaching greater importance to the festival which was conceived in 1978 by the then

Labour and Janata Governments as a goodwill exercise. At the time Mrs Gandhi had been flung into the political wilderness by an electoral incoherence at the excesses of her emergency rule in the mid-1970s.

The emergency—this is her first visit since then—made Mrs Gandhi deeply unpopular in Britain where millions of people remain deeply with India. The festival may help to improve her image.

There have been complaints from Indians in the UK who feel they have been excluded by the organisers because of their past or present opposition to Mrs Gandhi.

The Indian Prime Minister is likely to face a picket of Indian workers when she arrives at the Festival Hall with Mrs Thatcher this evening.

Each government is spending over £1m to subsidise the events which range across the spectrum of Indian life. They include exhibitions at the London museums and art galleries, lectures, concerts, arts and crafts shows, dance and drama all drawn from a central theme which is the continuity of India's civilisation from the 3rd millennium BC to the present. The festival includes cameos ranging from the village life of

most of the country's 680m people to India's space programme and in a stark reminder that the country of Gandhi and Nehru remains a volatile mixture of progress and poverty.

Artists and troups as well as dozens of priceless treasures are being flown to Britain for the festival and British schools and colleges are being encouraged to participate.

British companies—no doubt with an eye to the growing market in India—have put over plenty of money. So far £400,000 has been collected, although this also includes donations from Britain's Indian community.

British Aerospace, Davy McKee International, Standard Chartered Bank and Northern Engineering Industries, all of whom have a big stake in India, are sponsoring an exhibition of Indian scientific achievements at the Science Museum. Others, including Barclays Bank, Grindlays and Messy are sponsoring national events.

For a taste of British culture, Mrs Gandhi is being taken to see the West End musical Cats. She will be accompanied by Mr Desai, India's junior minister at the Foreign Office.

Austrian banks reject Soviet credit request

BY PETER MONTAGNON, EJROMARKETS CORRESPONDENT

A SOVIET bid to raise \$150m (£83m) credit has been firmly rebuffed by Austrian banks.

Bankers in Vienna confirmed over the weekend that the Soviet Union had asked for the cash credit in connection with the recent Austro-Soviet protocol setting out the availability of Austrian export credit guarantees to Moscow over the next two years.

The Russians were told that now was an inappropriate time to discuss such a credit, the bankers said. "We tried to stop the conversation immediately," one added. "We didn't want to talk about financing that was unrelated to Austrian export business."

Under the Austro-Soviet protocol the Austrian Government has agreed to guarantee export credits to Russia for a maximum of Sch 10bn (£333m) between now and the end of 1983. But it is seen as a measure of the tight financial position facing the Soviet Union that the protocol was accompanied by a request for a cash loan.

Similar stories are becoming common across Eastern Europe. Two weeks ago East Germany was reported to have failed in efforts to raise a \$300m financial credit from international banks.

As a result confidence in the creditworthiness of the Eastern bloc has diminished to the point where even Hungary, arguable

the region's most popular borrower, has now suffered withdrawals of short-term credit facilities from international banks.

Bankers say that until now Hungary has been punctilious in making international payments on time but some are beginning to wonder how long even the region's stronger economies can hold out under such pressure.

"It's not the borrowers who are causing the problems," said one London banker, "it's the banks themselves." He blamed particularly Arab and Japanese banks for cutting and running from Eastern Europe after Polish and Romanian debt problems.

Hungary's problems may be mitigated by the fact that it is now expected to get an agreement with the International Monetary Fund on membership by early May, but even bankers sympathetic to Eastern Europe admit that the future for other countries in the region looks bleak.

A test case will be Yugoslavia's request for a credit of DM 200m (£46.7m) from German banks and \$150 from French institutions. If banks in these countries agree, there is a chance that Yugoslavia may be able to revive its project to raise a large syndicated credit from U.S., British, Canadian and Japanese banks.

Power rationed as NSW workers defy union

BY MICHAEL THOMPSON-NOEL

POWER CUTS and ratioling in New South Wales came into effect at midnight last night as more than 100 Electricity Commission workers throughout the state defied union calls to end work bans.

Industry in the state has been put on a four-day week, affecting more than 500,000 workers. Mr Neville Wran, the state Premier, has refused to capitulate to a demand from salaried power workers for a 13.44 per cent pay increase in preference to the flat AS35 (£21) a week negotiated between the state's labour council and government last December. There is to be a hearing before the state industrial commission today.

The New South Wales Chamber of Manufacturers, which has criticised the State Government's plans for industrial power rationing, says the dispute could cost industry A\$50m a day.

Space shuttle Columbia due to blast off today

BY DAVID LASCELES IN NEW YORK

THE SPACE shuttle Columbia is due to blast off for its third mission at 10.00 am Eastern U.S. time today.

Although the countdown at Cape Canaveral was proceeding smoothly yesterday, a major change has already had to be made for the shuttle's return to earth after a week in space. Heavy rain has waterlogged the usual landing site on a dried-out lake at Edwards airforce base in the California desert,

and the landing has been switched to an alternative site in the New Mexico desert—the White Sands missile range.

For the last three days, train loads of Nasa equipment, has been transferred from Edwards through Nevada down to White Sands at a cost of \$250,000.

The crew members for today's flight are Col Jack Lousma and Col Gordon Fullerton who will orbit the earth 115 times.

Irish interest rates call

BY BRENDAN KEENAN IN DUBLIN

THE IRISH GOVERNMENT of rates comes into force tomorrow.

The new rates, which range from 19 per cent for prime commercial borrowers, to 23 per cent for ordinary overdrafts, give Ireland the highest interest rates in Europe.

There have already been calls from industry and agriculture for the government to guarantee exchange rates.

There are two principal sticking-points. One is share-sharing. Workers want a share in the profits in return for whatever concessions they make on

GM wage talks continue

BY DAVID LASCELES IN NEW YORK

TALKS between General Motors and the United Auto Workers on a new cost-cutting wage deal continued in Detroit last night, after an all-night session on Saturday.

There are two principal sticking-points. One is share-sharing. Workers want a share in the profits in return for whatever concessions they make on

basic wage rates. But unlike GM's main rival, Ford, which recently agreed to such a plan, GM is basically profitable.

The second is the status of the many car plants, which GM has already closed. The union wants to preserve as many jobs as possible, and has been probing the idea of re-opening plants.

The evidence includes the closing of arms caches in Guatemala, El Salvador and Nicaragua, all of which could already be traced back to Cuba.

Treurnicht leads breakaway party

BY J. D. F. JONES IN JOHANNESBURG

A NEW White political party of the extreme right—the Conservative Party of South Africa (CPSA)—was launched in Pretoria at the weekend under the leadership of Dr Andries Treurnicht, the expelled Cabinet Minister.

The move follows a split in the ruling National Party. An ultra-conservative wing based in the Transvaal rebelled against any hint of "power-sharing" with the Coloured and Indian minorities and was ejected from the party.

The CPSA, for the time being, brings together the Nationalist rebels, including 16 sitting MPs, the small National Conservative Party of Dr Connie Mulder (a disgraced and senior National Party ex-Minister), the more ideologically inclined Aksie Ele Toekoms ("Action our Future"), and various right-wingers and quasi-fascists.

Significantly, the new party does not include the well-established Herstigte Nasionale Party (HNP), which was formed in 1869 after a similar right-wing breakaway from the National Party and which at last April's election won 200,000 votes to become a substantial factor in White politics.

The leader of the HNP, the demagogic Mr Jaap Marais, is playing hard to get and is insisting that Dr Treurnicht should come cap in hand if he wishes to pursue what seems to observers an obvious strategy of a right-wing electoral alliance against the government of Mr P. W. Botha.

The party was launched on Saturday at a mass meeting of between 7,000 and 8,000 people in a building in Pretoria called, in Afrikaans, "Tortoise Hall." The principles of the CPSA unashamedly hark back to the fundamentalist apartheid ideology that was expounded by Dr Verwoerd, a generation ago.

Healthy apartheid is being abandoned and we are being prepared for a slide into integration," said Dr Treurnicht. "We reject the idea of an open society and all efforts to bring about multiracialism in South Africa. For us, it is unacceptable that Whites and non-Whites govern together."

There has been sustained speculation that Mr John Vorster, the former Prime Minister and State President, will add his support to the new party in opposition to his successor but he did not appear at Saturday's meeting.

The 15-point policy plan of the conservative party, as expected, insists on maintaining geographical separation with each racial group having its own political institutions. For the Blacks, the party reiterates the

classic National Party arguments of independent homelands.

For the Coloureds and Indians—where the occasion for the National Party split occurred last month—the party rejects any form of mixed government.

FINANCIAL TIMES, published daily except Sundays and public holidays. Subscription rates: £25.00 per annum (including postage) for the UK, Europe, Middle East, Africa, India, Australasia, and elsewhere. Single copies 5p.

Dr Andries Treurnicht: expelled from Cabinet.

Donations and information: Major The Earl of Ancester, KCVO, TD, Midland Bank Ltd, Department FT, 60 West, Smithfield, London EC1A 9GX

speculation that Mr John Vorster, the former Prime Minister and State President, will add his support to the new party in opposition to his successor but he did not appear at Saturday's meeting.

The 15-point policy plan of the conservative party, as expected, insists on maintaining geographical separation with each racial group having its own political institutions. For the Blacks, the party reiterates the

classic National Party arguments of independent homelands.

For the Coloureds and Indians—where the occasion for the National Party split occurred last month—the party rejects any form of mixed government.

FINANCIAL TIMES, published daily except Sundays and public holidays. Subscription rates: £25.00 per annum (including postage) for the UK, Europe, Middle East, Africa, India, Australasia, and elsewhere. Single copies 5p.

Advertisement for Kingdom of Spain 15% Notes Due 1987. Includes logos of various banks and financial institutions like Bank of America, Deutsche Bank, and Morgan Guaranty Ltd.

Advertisement for BLESMA (British Limbless Association) with the slogan 'WE THE LIMBLESS LOOK TO YOU FOR HELP'. Includes a photo of a person and contact information.

Handwritten signature or note at the bottom left of the page.

Defence mission from India to visit Moscow

BY K. K. SHARMA IN NEW DELHI

AN INDIAN defence mission is to visit Moscow next month for talks on purchase of sophisticated weaponry from the Soviet Union and to the up the rights to manufacture MIG-23 aircraft under licence.

The purchase of the MIG-27 for the Indian Air Force will also be discussed and assurances will be sought that the Russians will continue to supply spares and components for the military hardware that they have provided for the Indian armed forces since 1971 when the 15-year treaty of peace and co-operation was signed between the two.

The mission is a follow-up to the talks held in New Delhi last week when a Russian delegation led by Marshal Dmitri Ustinov, Soviet Defence Minister, held talks on increased defence co-operation. The 70-strong delegation were the Soviet air and naval chiefs and the deputy army chief.

Marshal Ustinov, who is one of the most senior members of the Soviet Politburo, is under-

Hong Kong and U.S. in textiles agreement

By Robert Cottrell in Hong Kong

HONG KONG and U.S. negotiators have reached a six-year agreement on Hong Kong's textile and garment exports to the U.S.

It provides for low growth in categories to be restricted by quotas covering roughly two-thirds of relevant export volume, but opens up the remaining third to a new system of "export authorisation." This amounts to an unrestricted monitoring system, with the provision for imposition of new restrictions if desired by agreed procedures.

The agreement has yet to be ratified at government level, but both sides agreed that it should be implemented from today following its initialing by delegates at 6.30 am yesterday in Hong Kong. Back-dated to January 1, it runs until December 31, 1987.

It forms one of the bilateral agreements provided for by the Multi-Fibre Arrangement (MFA). Next month, Hong Kong begins its negotiations with the EEC.

Speaking of the new quotas, Mr Lawrence Mills, Hong Kong Trade Commissioner, said yesterday: "The growth rates are extremely low. They range from as little as 0.5 per cent per annum to 2 per cent, which is well below the standard 6 per cent rate provided in the MFA."

However, the MFA does provide for growth rates at lower than 6 per cent, and in the prevailing circumstances in the U.S., we were persuaded that higher growth rates on our quotas in many categories could have caused a recurrence of market disruption in the U.S."

Mr Mills estimated that the next year could see growth of perhaps one per cent overall in quota-restricted categories. These include commonplace garments such as shirts and trousers, and cover all categories whose quotas were fully utilised last year. No quotas have been cut.

The export authorisation system covering the remaining third of textile and garment exports allows the U.S. to negotiate ad hoc restrictions with Hong Kong for the balance of a particular year, or agree new formal ceilings based either on the level of the previous year's trade or trade over a longer preceding period, in each case with an increase of 15 per cent.

"The real test," said Mr Mills, "will be the extent to which the trade can adjust to a new restraint structure, and take advantage of the new liberalisation, and I'm quite sure they will."

LEIPZIG TRADE FAIR

A mirror for shifting moods

Opening day: Western bankers say no one is sticking to OECD's recommended minimum interest rate for supplier credits to Soviet Union — currently 10.5 per cent. The Russians are said to be paying 7.8 per cent on eight-year Austrian loans for a deal just signed by state-owned Vost-Alpine to build a \$500m steel plant in the Soviet Union.

PARTICIPATING in the four-day-long Leipzig International Fair, the world's main East-West trade fair, can be an exhausting experience. But many representatives from companies in Eastern and Western Europe have done it in both spring and autumn, year-in and year-out since the East German fair was revived after the war in 1947 after a run of nearly 800 years. Leslie Colitt, our Berlin correspondent, tells of his experiences at the fair which just ended yesterday which he has attended for a modest 15 years

as casings and electromagnetic clutches. This illustrates how problems in one Comecon country can affect all the others involved in the integration process.

Third day: Klaus von Dohnanyi, the Mayor of Hamburg, joins some guests at the Hamburg harbour reception in Leipzig when he notes that both German states are jointly responsible for reducing the massive pollution of the Elbe river.

Ride the tram for the 10th time at 20 pfennigs a ticket. Seems that story in main party newspaper that freight being carried at night by tram in Leipzig to save fuel is somewhat premature as it was only a trial run. Despite dirt cheap public transport, East Germans are eager as ever to buy exorbitantly priced cars and wait for them for 10 years.

Fourth Day: Sign of the times in East Germany—a hardware store in the Karl Liebknecht Strasse has a petrol-powered lawn mower in the window for DM 705 (€170). Count Otto Lamsdorff meets Guenter Mittag, East German economics chief. They discuss renewal of DM 850m interest-free credit to East Germany allowing it to overdraw its trade account with West Germany. Also talk about electrification of West Berlin-Helmstedt rail line across East Germany at large West German cost. Bonn would like to see political concessions from East Berlin, in return, such as a reduction in border currency exchange requirements for Westerners entering East Germany. West German sources say there is no sign of this about to happen.

Depart Leipzig, city of Bach and the Leipzig Fair, with a first-rate "fu" which East German hosts insist should be treated with their Vietnamese Golden Star aromatic balm, made in Hanoi. Apply it on return home and, amazingly, it works.

French set for \$860m pulp plant in Indonesia

By David White in Paris

A FRENCH-LED consortium of engineering companies has signed a letter of intent for an \$860m pulp project in Indonesia, which is expected to produce \$400m worth of work for the European partners.

The pulp complex, due to be built in the south of Borneo, is to be 51 per cent controlled by non-Indonesian interests. Among these, the consortium of French, West German and Finnish companies is to take the minority share alongside international banks and institutions.

The World Bank's International Finance Corporation has been asked to take part in the venture.

The consortium, headed by Socec, an engineering unit owned by French construction interests and banks, comprises the French companies Grand Travaux de Marseille, Leroy-Somer and Fives-Cail Babcock, West Germany's Siemens, and Rauma-Repola of Finland.

The complex, construction of which is to start next year, will have a production capacity of 250,000 tonnes a year. This is to be made up of 100,000 tonnes of fully-bleached long-fibre pulp for the export market, plus 70,000 tonnes of printing and writing paper, and 80,000 tonnes of Kraft paper for the domestic Indonesian market.

The principal engineering role is to be taken by Grand Travaux de Marseille, which will also have responsibility for the paper unit, with the Finnish partner handling the pulp side of the project. According to Socec, it is foreseen that 30 per cent of the total investment cost will come from equity capital — 260m.

Moves towards talks on trade in services

BY BINI KHENDARIA IN GENEVA

MOVES TOWARDS a new round of multilateral negotiations concerning trade and services such as insurance, tourism, banking, and transport, gained ground in Geneva last week with a decision to prepare a new UN study on barriers in such trades.

The study will be produced by the UN Conference on Trade and Development (UNCTAD) as a contribution to the ongoing International debate on whether the services sector warrants a new set of negotiations. It will be part of an Unctad programme analysing the impact of protectionism on world trade.

The study has been ordered by Unctad's policy-setting Trade and Development Board (TDB) which also discussed a separate Unctad report on world trade problems, including industrial restructuring in developed countries to meet competition from Third World exports.

The report, which analyses trade figures from 1960 to 1980, says that services, the so-called "invisible" sector, is the fastest-growing area of world trade with a total worth of \$700bn in 1980. In contrast,

growth of world manufacturing output—the "visibles" sector—slowed to just 3.7 per cent a year in the late 1970s, compared with 4.7 per cent yearly in the early 1970s and 6.6 per cent yearly in the 1960s.

The decision on whether to hold new multilateral negotiations—to be styled on the 1979 Tokyo Round, which reduced tariff and non-tariff barriers in manufactured and some agricultural goods—would come at a ministerial meeting of members of the General Agreement on Trade and Trade (GATT) this November. Even if current doubts are ironed out, the negotiations are unlikely to begin until 1984.

The U.S., a long-time supporter of the need to study the services trade, has not gone so far as to suggest new multilateral talks. Japan alone seems keen for such negotiations.

Although most developing countries are lukewarm several would be willing to go along because of increasing awareness of the role of expensive services usually provided by Western-based companies in initiating their import and export costs. Transport and insurance costs are of particular interest to many developing countries.

Soviet quotas take effect

By Our World Trade Staff

REGULATIONS have been posted by the import licensing branch of the Department of Trade to cover the restrictions from the Soviet Union following the EEC's decision last week to impose economic sanctions.

The restrictions came into force Saturday but do apply to imports covered by existing contracts, to those already in transit or to those for which import licences have already been issued. But there may be difficulty defining what is an existing contract.

Soviet imports which had unrestricted access to the EEC are now subject to a quota of 75 per cent of 1980 imports. Where goods are already subject to a quota in a member state, the allowable quantity of imports is cut by half. If a member state did not have a restriction then the level of imports is set at 50 per cent of 1980 levels.

The goods involved in the restrictions include some manufactured foods, sanitary ware, television sets and some other electrical equipment, ball bearings, toys, kraft liner paper and some glass and aluminium.

The Alternative Approach to Banking

LISTENING IS ONE THING. HEARING IS QUITE ANOTHER.

A lot of people claim to be good listeners, while at the same time contriving to be deaf to things they don't wish to know, or don't understand.

But hearing is another matter. If you hear what someone is saying, that implies it has sunk in. 'I hear you' people say, meaning they've got the message.

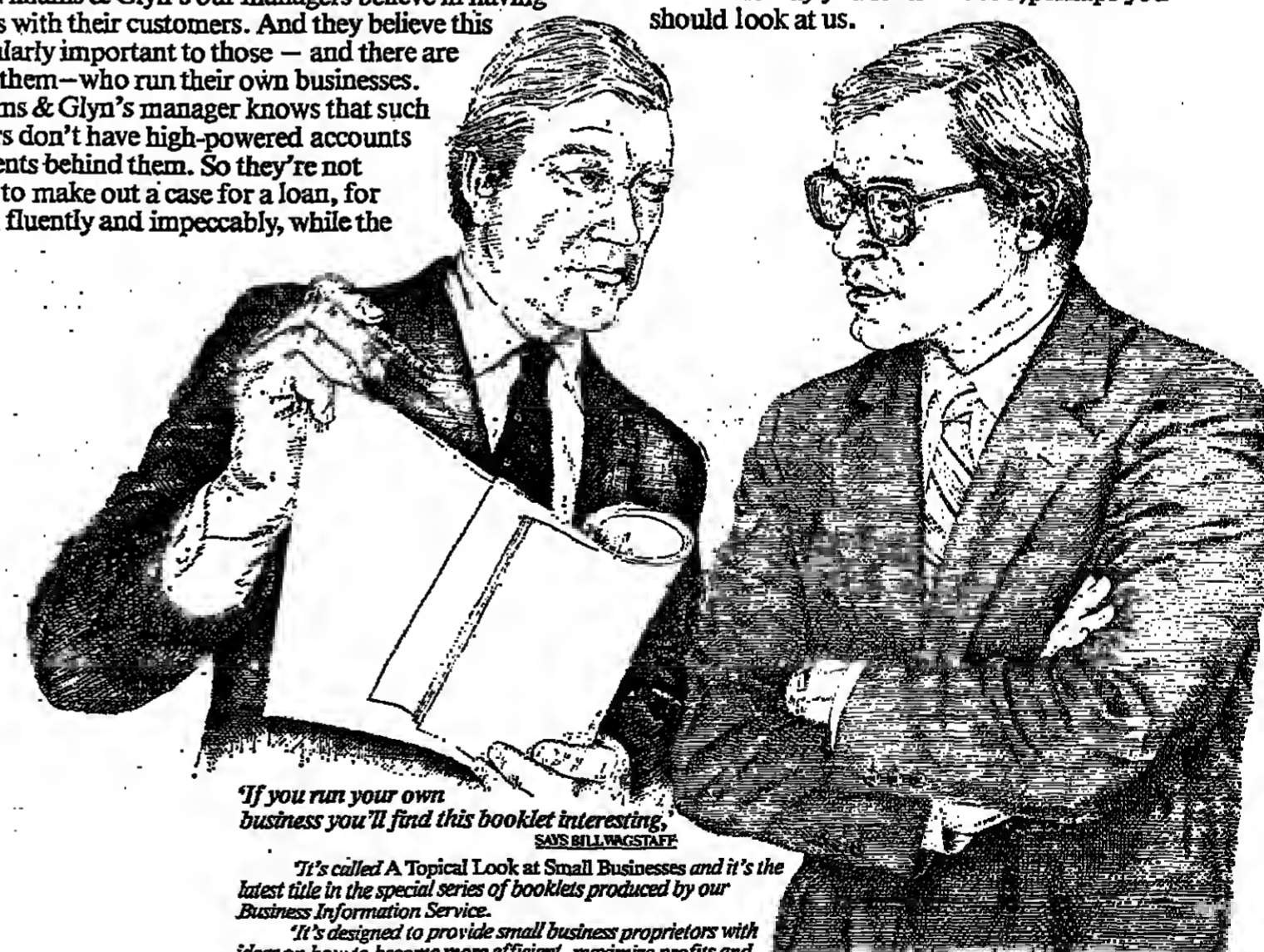
It's all very relevant when you're having a dialogue with your bank manager. A dialogue — not a monologue, with one doing all the talking and the other all the listening. Problems are seldom properly solved if they're not properly discussed.

At Williams & Glyn's our managers believe in having dialogues with their customers. And they believe this is particularly important to those — and there are many of them — who run their own businesses. A Williams & Glyn's manager knows that such customers don't have high-powered accounts departments behind them. So they're not expected to make out a case for a loan, for example, fluently and impeccably, while the

manager sits back and listens in open-mouthed admiration, convinced first go. No. Our managers know that putting a case together for a loan, even though it's a sound one, is far from easy. So they're always ready to offer advice, to see if a proposition can be knocked into shape, and to search for reasons why they can lend rather than reasons why they can't.

The way we look at it, the relationship between a bank manager and a customer should be that of a partnership trying to find a solution, not two antagonists fighting over unnecessary problems.

If that's the way you look at it too, perhaps you should look at us.



'If you run your own business you'll find this booklet interesting.'
SAYS BILL WINGSTAFF

'It's called A Topical Look at Small Businesses and it's the latest title in the special series of booklets produced by our Business Information Service.'

'It's designed to provide small business proprietors with ideas on how to become more efficient, maximize profits and reduce tax liabilities, and includes useful information about Government schemes, enterprise zones, counselling organizations and special bank facilities, together with general advice on the day-to-day running of a business.'

FOR A FREE COPY CALL IN AT ANY WILLIAMS & GLYN'S BRANCH, OR SIMPLY POST THE FREEPOST COUPON BELOW

NO STAMP REQUIRED
Post to Williams & Glyn's Bank Ltd, Dept. BIS
FREEPOST LONDON SE1 7BL

Please send me your free booklet
A Topical Look at Small Businesses

NAME _____
TITLE _____
COMPANY _____
ADDRESS _____
B.S. 87

WILLIAMS & GLYN'S
The Alternative Bank.

A member of The Royal Bank of Scotland Group and one of the InterAlpha Group of Banks.

World Economic Indicators

	RETAIL PRICES (1975=100)				% change over previous year
	Feb. '82	Jan. '82	Dec. '81	Feb. '81	
UK	230.4	230.4	229.1	207.6	11.0
W. Germany	123.7	123.7	123.7	125.4	4.3
France	198.9	198.9	195.8	174.7	13.8
Italy	277.3	273.8	270.7	236.0	17.5
Netherlands	149.1	148.4	148.4	139.0	7.3
Belgium	153.5	152.1	151.1	141.8	8.4
U.S.	175.2	174.6	174.1	161.6	8.3
Japan	145.9	145.8	145.7	141.3	3.3

Source: Eurostat (except U.S., Japan and UK)

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

Head Office: The Financial Times Limited, 20 Cannon Street, London EC4A 3DF. Telephone: 01-574671. Telex: (Advertising) 680323. Telegrams: Financial Times, London. Telephone: 01-5746000. Frankfurt Office: The Financial Times (Germany) Ltd, Eschenstrasse 54, D-6000 Frankfurt am Main 1, West Germany. Telephone: 416155. Telex: 7298-0. Editorial: Frankfurt-73-81. Telex: 416052. Telephone: 7298 157.

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

Advertisement P.O. Box 2256, Amsterdam-C. Telex: 26527. Tel: 276 774.
 Advertisement Editorial and Advertising Service: P.O. Box 115, 1000 AA Amsterdam. Telex: 338426. Tel: 020-494 9722.
 Europe: P.O. Box 21204, Houston 2-11, Texas. Telephone: 713 220-2200.
 Bureau: 39 Rue de Valenciennes, Paris, 75011. Tel: 512 1044. Tel: 512 9107.
 Bureau: Avenue de la Liberte, Paris 7, 75014. Tel: 494 4444. Telex: 200000. Tel: 494 4444.
 Bureau: 456, Coligny 1364, Paris. Tel: 2947496.
 Cable P.O. Box 2048, Tel: 751402.
 Bureau: 25 South Street, Boston, 02111. Telex: 25414. Tel: 543 60376.
 Editorial: Editorial and Advertising 37 Orange Street, New York, 10013. Telex: 70000. Tel: 02-225 4128. Advertising Tel: 02-226 4139.
 Frankfurt: Editorial: Frankfurt-73-81. Telex: 416052. Tel: 7298 157. Advertising: Frankfurt-73-81. Telex: 416052. Tel: 7298 157.
 Hong Kong: Room 302, Hong Ching Building, 5 Summer Road Central. Tel: 75234 10X. Tel: 5-22316.
 Johannesburg: P.O. Box 2228, Tel: 8-6257. Tel: 898-7545.
 London: Advertising: Payment House, 7th Floor, 15, Abchurch Lane, London EC4A 3DF. Tel: 01-5746000.
 Lisbon: Praça de Alameda 28-30, Lisboa 2. Telex: 32833. Tel: 262 598.
 For Share Index and Business News Summary, Telephone 246 8026 (London), preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester.

All advertising is subject to the publisher's current terms and conditions, copies of which are available on request.

Forward Trust DEPOSIT RATES

Depositors are advised that with effect from March 22nd 1982 the following rates will apply to deposit accounts with Forward Trust Limited.

Medium withdrawal	7 days	1 month	3 months	6 months	12 months
Deposits of £1-£50,000	12.00%	12.50%	12.50%	12.75%	13.00%

*Applies to existing deposits only. New deposits at seven day and one month not accepted.

FORWARD TRUST GROUP
A member of Midland Bank Group

For further information apply to Forward Trust Limited, Deposit Department, 12 Colindale Avenue, Birmingham B15 1JZ. Tel: 01-454 6141.

London rate rises highest in Tory councils

BY ROBIN PAULEY

A COMBINATION of tactical errors and the vagaries of the Government's system of allocating grants to local authorities has left all the major London rate rises in this, a crucial election year, in Conservative-controlled boroughs.

The upset has caused embarrassment at the Environment Department, anger among London Tory boroughs and London Tory MPs and led, finally, to the intervention of Mrs Thatcher to insist on an extra £25m hand-out to London without which some Tory councils would have been in an even worse rate-fixing mess.

Rates are important in election years because the bills go out in April and local elections are held in early May. All London boroughs go to the polls this year, with metropolitan district councils.

Councils traditionally levy higher rates than necessary in pre-election years, putting some of the excess into balances. This usually reappears in election years to subsidise the rate cut.

But since the Government came to power, Tory-controlled councils have been responding more eagerly to demands for expenditure and manpower cuts than Labour councils. They have tried to keep their spending and rates as low as possible with the result that they have nothing in balance.

But the complicated and unpredictable system of block grant has consistently worked against thrifty Conservative councils, particularly in London. Westminster, Wandsworth and Kensington and Chelsea were treated exceptionally

LONDON'S ELECTION YEAR RATE BILLS. Table with columns: Council, Control, Total commercial rate, Change, Average domestic rate bill. Lists various London boroughs and their respective rate changes.

Notes: * Poundages include GLC, ILGA and police precepts. Domestic rate poundages are 15.5p less except City (25.3p less) and Westminster (26.5p less). Individual rate bills can be calculated by multiplying the rateable value by the rate poundages.

severely by the 1981-82 grant share-out, and although much more money has been allocated to London this year they have again fared badly.

payments in 1981-82, leaving councils with much more cash in hand than they expected. The principal beneficiaries are those with the heaviest housing responsibilities — mainly Labour-controlled. Some 15 councils are plan-

ning to increase their general rate by more than 11 per cent — the current inflation rate — in 1982-83. All are Conservative-controlled except Greenwich (Labour), the City, and Hammersmith and Fulham which has a Conservative-Liberal

alliance. The lowest Tory rise will be 8.3 per cent (Havering), whereas several Labour councils have rises under 5 per cent.

All the rises include the levy for the Greater London Council, Inner London Education Authority and Metropolitan Police, which masks the fact that many councils this year are cutting the local part of the rate.

But even including these precepts, one council has managed a rate reduction of 2.6 per cent. It is Lambeth, regarded as the most extravagant and prodigal Labour council.

It has strict cash limits to every department, is not filling vacancies and is cutting spending wherever possible in an attempt to try to retain control of a council which is regarded by the SDP as prime territory for gains.

Tory councils, in spite of their difficulties, will still be sending out rate bills which are in many cases smaller than those for comparable properties in Labour areas because the Tories have mainly kept the base rates low.

Ratepayers in Richmond, for example, face the steepest rise in London — 22.8 per cent — but last year there was no rise. The average domestic bill continues to benefit from last year's standstill and so will be only £310 in 1982-83.

Kensington and Chelsea, on the other hand, follows last year's rise of 42 per cent on the general rate with another 10.6 per cent. The effect on domestic ratepayers will be an average bill of £711, the highest in Britain.

One council, the SDP-controlled Islington, failed at the last minute to fix a rate last week but is having another attempt on Friday.

Snow and floods cost insurers £200m

By Eric Short

THE BLIZZARDS which swept Britain in December and the floods and storms which followed in January cost UK insurance companies at least £200m, says the British Insurance Association.

The association's review revealed that the severe weather hit insurance companies harder than usual.

In comparison, snow and frost at the beginning of 1979 cost insurance companies £65m, with floods at the end of the year confined to South Wales, cost £27m. At today's prices, the costs would have been £95m and £35m respectively.

The £200m costs this winter arose from damage to both domestic and commercial property caused by burst pipes and collapsing roofs, and from flood damage in Selby and the surrounding area of Yorkshire, and in the West Country.

The bill could be even higher, insurance companies are still processing claims and March saw bad weather in Scotland and the north of England.

The BIA has not tried to ascertain the effect of the weather on motor insurance. But those companies which have already issued their 1981 results, including Britain's largest motor insurer, General Accident, have reported heavier than usual claims. However, these are small compared with property claims.

The higher damage bill also reflects that more households are insured for full value, largely as a result of the insurance companies' efforts. They have introduced the principle of index-linked sums insured and premiums to allow for inflation. This means higher premium income for the companies, but it also results in higher payments.

Sealink to run Lakes yacht

THE NATIONAL TRUST has announced that Coniston Gondola, the 1859 steam yacht which it restored in 1980 for over £100,000, is to be operated by British Rail Sealink.

The new service will be called Sealink Coniston. Mr Laurence Harwood, the trust's regional director, explained yesterday that, because of the heavy financial loss they had incurred in running it themselves for two seasons as a public service, they either had to get some other organisation to run it or shut it down.

British Rail Sealink will manage it initially for a year, during which details of a five-year agreement will be worked out. British Rail will carry any losses itself, but will share any profits 50-50 with the National Trust.

Riots 'threatened' style of policing

THE POLICE were in danger of taking on a "quasi-military" role at the height of last summer's riots, Mr John Alderson, Chief Constable of Devon and Cornwall, has told a Communist Party magazine.

In an interview published in Meridian Today, Mr Alderson said: "It appeared that it would not have taken much to drive the police into a situation where they had passed the point of no return in this style of policing which we like to see in this country."

"We must get a quasi-military police armed with weapons for shooting at people.

BL board approves truck investment

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE BL BOARD has formally approved the investment in a new Leyland light truck range involving "several millions of pounds."

The decision was deferred earlier this year because of the four-week strike by truck and bus division employees.

The light truck range, code named MT 211, will replace the Terrier models which operate at gross weights of 7-11 tonnes. It was to be produced at Bathgate, Scotland, but under the terms of the reorganisation programme announced last November, assembly will now be at Leyland, Lancs.

Leyland sold about 2,500 Terriers last year but would expect to double that when the MT 211 comes on stream early in 1984.

Therefore output at the Leyland plant, scheduled to be a

maximum of 485 a week when it was opened, will be increased considerably. The company says eventually it could be expected to produce at least 900 units a week.

The MT 211 will complete the renewal of the Leyland truck range for the UK and the Continent. It will probably share some components from the C60 cab used on the heavier T45 models.

The last of the T45 range, to replace the Boxer, is due to be launched towards the end of the year.

Leyland has also, as part of its £200m investment programme, replaced its trucks for non-European markets with the Landmaster and Landmark. A heavy Scammell, code-named the S86, is due this year.

Car for disabled gives Reliant a further boost

BY JOHN GRIFFITHS

RELIANT'S recovery plans will be boosted in the autumn by the launch of a disabled drivers car for which the company will provide the bodies. But part of its export business has run into difficulties.

In the past few weeks Reliant, based at Tamworth, Staffs, has launched a replacement for its Robin three-wheeler and announced an agreement with Sunrise Auto Industries of Bangalore for its Kitten four-wheeler to be built in India. Another export agreement, also in Asia, is expected to be announced in the next few weeks.

But the future of its £1m-a-year business with the MEBEA company of Athens looks uncertain. Reliant has been providing 1,000 kites a year of a light pick-up based on the Kitten and called the Fox.

The company said at the weekend that MEBEA's bankers had moved in to take over its management. However, Reliant is also preparing to launch the Fox in the UK, possibly later this year.

The company's mainstay has become the Rialto three-wheeler, 75 a week of which are being built, against 50-55 a week for the Robin model. Three-wheeler production for outstrips the conventional cars: only three or four Scimitar estate and sports cars are being built a week, while the Kitten economy four-wheeler is down to two a week against a weekly

capacity of 50.

Meanwhile, Otosan Otomobil Sanayi of Turkey is moving towards production, after some delay, of a medium-sized passenger car, the FW 11, developed under an engineering co-operation deal with Reliant. Both the Fox and FW 11 may also be included eventually in the Indian project, which runs initially for five years and envisages production of 3,000 Kittens (to be called Dolphins) a year by 1984.

The car for the disabled is to be built by Elswick Hopper, the bicycle and engineering company. Reliant expects initially to provide 200 bodies per year. But the car has been designed to meet European legislation and the potential sales are seen as being much higher. The car was engineered by GKN Saabey around BL Mini mechanical parts.

The bodies will be provided by a new Reliant subsidiary, Reliant Industrial Mouldings, set up specifically to contract to outside industry—a business which Reliant wants to build up substantially.

Last year was a traumatic one for the company: it was merged from JF Nash Securities, closed one of its three factories, cut its staff from 900 to 500 and lost just over £1m. But the changes, Mr J. F. Nash, its chairman, said at the start of this year, allowed Reliant to face 1982 with realistic optimism.

LT prepares for trouble as bus and tube fares rise

BY DAVID CHURCHILL

THE FULL impact of the 100 per cent rise in London Transport fares and any consequent resistance to them will be felt this morning when Londoners travel to work.

Although bus and underground fares rose yesterday in line with the Law Lords' judgment, the full effect was mitigated by the maximum fare system which still operates on Sundays. Also, many passengers were tourists with special passes.

There were some reports of isolated incidents of passengers refusing to pay the new fares, but London Transport said last night it had no reports of any serious trouble.

But the campaign supported by some Labour members of the GLC for passengers to pay only the fares charged before the increase may be more effective this morning.

In anticipation of trouble, LT stickers are being prominently displayed at ticket collectors' booths to remind passengers of their legal obligation to pay the full fare.

LT also took advertising space in national newspapers yesterday to explain its difficulties. The advertisement, showing a hand holding a gun pointing at a "T" rounded, has the caption "Fares up!".

It says LT regretted having to double its fares as a result of the Law Lords' judgment, but was hoping to limit "harmful" effects by keeping the simple zonal fares system brought in last autumn.

LT adds: "We think that the reduced fares policy would have been right if it had not put such a heavy burden on ratepayers." Bromley Council's legal challenge over the supplementary rate imposed to pay for the reduced fares eventually forced LT to raise fares.

LT warns in its advertisement that London "may eventually come to a standstill" if not enough use is made of the transport network because of the higher fares.

At the lower fares, LT has had to cope with 7m journeys every weekday by 3m passengers.

National Savings yielded £275m in February

BY ERIC SHORT

A CONTINUING steady demand for both the index-linked and conventional National Savings certificates last month, yielded £275m in net receipts for national savings.

Net index-linked Certificates—still known as Granny Bonds—accounted for £162m of these receipts and the 23rd issue of conventional certificates produced another £110m. The latter issue, withdrawn on

Insolvency law reforms recommended

By Duncan Campbell-Smith

THOROUGH REFORMS of insolvency law are recommended in the final report presented to Mr John Biffen, Trade Secretary, by the Insolvency Law Review Committee.

The submission of the report completes the work of the committee, appointed in 1977 under the chairmanship of Sir Kenneth Cork.

The recommendations, made in two stages with an earlier report submitted last summer, amount to "a major study with ramifications throughout the entire legal system," Sir Kenneth said yesterday.

"We cannot canvass our ideas before the Government has seen them but we are confident that both parts of the report will be published in full, perhaps in the early summer."

Meanwhile, the Department of Trade must take stock of a mass of conclusions—part two is an inch and a-half thick—prepared by a committee with 30 members, assistants and advisers. Their recommendations aim at three major changes: ● To offer new ways for third parties to help a struggling company. ● To introduce quicker and simpler treatment of personal insolvency. ● To extend the ambit of voluntary insolvency to require the formal involvement of the courts only in those cases where public interest is concerned.

Prior faces decisive battle over N. Ireland legislation

BY MARGARET VAN HATTEM

MR JAMES PRIOR, the Northern Ireland Secretary, faces a decisive battle with the Prime Minister and senior Cabinet colleagues on Thursday when he seeks their backing for legislation this summer to set up devolved government in the province.

Although legislation is not essential for setting up the assembly he envisages, their decision is crucial to his chances of success. For it will be widely interpreted as a vote of confidence in his plans for transferring power to local politicians.

But Mr Prior could meet much opposition from several ministers, including the Prime Minister, who have yet to be convinced that his plan has sufficient chance of success.

In considering his draft Bill and White Paper, they will possibly say all the main Northern Ireland political

NatWest defends growth in banks' personal loans

BY WILLIAM HALL, BANKING CORRESPONDENT

PERSONAL LENDING offers the banks higher margins and lower risks than many types of traditional corporate lending.

Mr Robin Leigh-Pemberton, National Westminster's chairman, says in the bank's annual report for 1981 published today that there is no conflict between the growth in the bank's personal lending and its commitments to meet industry's financing needs when the upturn occurs.

NatWest's record foreign loans, Page 22

Laser-scanning check-out growth likely

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A SIGNIFICANT advance in the use of laser-scanning electronic check-outs in supermarkets is forecast today as delegates attend the fifth annual conference at Wembley, North London, on article numbering.

At present, only about six large stores are experimenting with scanning systems, but at least 25 could be doing so by the end of the year. For example, Tesco is committed to installing scanning systems this year in some 15 of its large stores.

Mr Jeremy Gridle, chairman of the Article Number Association and a director of J. Sainsbury, said yesterday: "Some retail chains are now reporting over 70 per cent of goods sold are bar-coded and the number of scanning stores is accelerating rapidly."

The Association, whose conference opens at Wembley today, is responsible for allocating to manufacturers special 13-digit product codes unique to each item.

The codes are translated into a bar-code—a series of black lines of varying thicknesses—which is then printed on a product. When the item is passed

Goldsmith urges full privatisation

BY ALAN PIKE

THERE IS no half-way house between maintaining an enterprise in the public sector with strict Parliamentary control and handing over the provision of the service in its entirety to the private sector, Mr Walter Goldsmith, director-general of the Institute of Directors, said at the weekend.

Mr Goldsmith told a Bow Group conference in Oxford that the policy of treating nationalised industries as businesses at arm's length from government, subject only to subsidy and external financing limit control, had failed.

It was equally clear that measures short of full transfer of an undertaking to the private sector might weaken rather than strengthen the Government's privatisation campaign.

He urged the Government to abandon its "ill thought out cooption of nationalised industries and public corporations as businesses." They were in fact arms of the State with their policies ultimately dependent upon the political complexion of the government of the day.

"The key question that remains to be answered is the drawing of the boundary between public and private sectors." Radical solutions were required to transfer resources and services to the private sector and confine the State's role largely to a regulatory function.

"A commitment now to this limited State role and a new drive to examine all the methods and financial techniques of transferring operating activities to the private sector offers enormous advantages."

IDEA On the Good Life. CONTACT IDEA (Scunthorpe Industrial Development and Enterprise Agency) and discover the happy fusion of work and leisure. Includes a coupon for SCUNTHORPE PARTNERS IN PROGRESS.

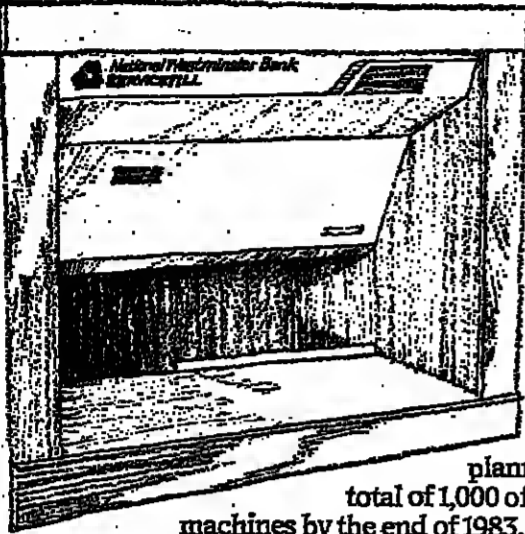
IF DAME NELLIE MELBA RETURNED TO THE SAVOY, WHAT WOULD SHE FIND? She'd find it just the same - and she'd find it different. THE SAVOY has always been well placed in London. Includes an advertisement for The Savoy London.

Goldsmith urges full privatisation. Includes an advertisement for Laser-scanning check-out growth likely.

BASE LENDING RATES. Table listing various banks and their interest rates for different terms and types of loans.

A world's eye view from NatWest

Extending our service to customers



In the increasingly competitive environment in 1982 we will continue to concentrate all our efforts into providing a first-class service to our customers, recognising their special and often individual needs. We now have well over 500 Servicitills operating on a 24-hour basis throughout the U.K., dispensing over £40m each month, already the largest network of its type in Europe. It is planned to have a

total of 1,000 of these machines by the end of 1983. Towards the end of this year we plan to introduce a new quick-action customer-operated cash dispensing machine sited inside branches.

The NatWest Mortgage Service

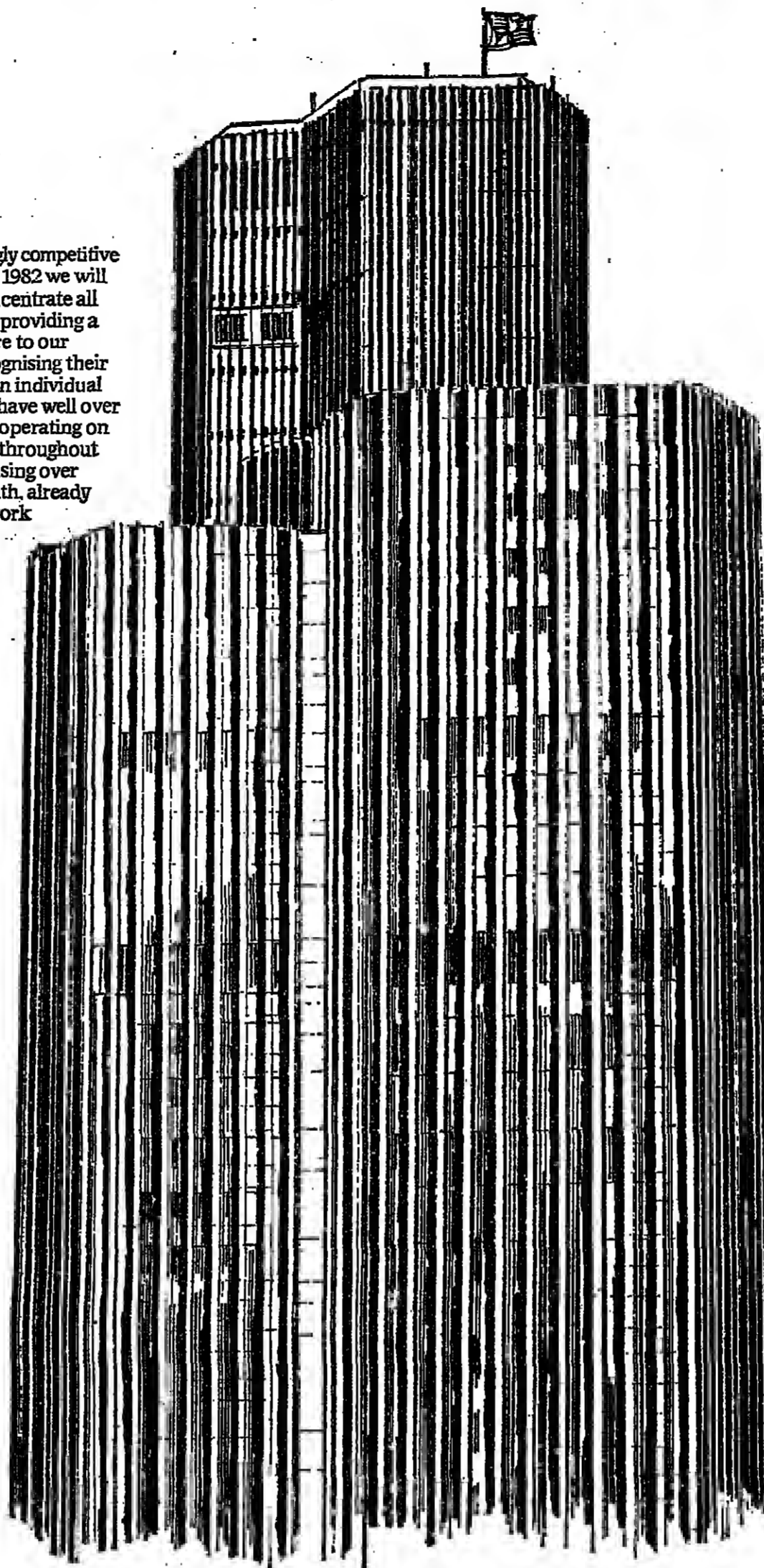
National Westminster Home Loans now provides a valued and convenient source of mortgage finance. The rapid success of our scheme shows there is substantial demand for this form of personal financial service from the banks and it is right that we should compete with the building societies on an appropriate scale.



We are now firmly established in this market and look forward to developing our service over the coming year.

NatWest and Small Businesses

We have continued our policy of support for small businesses and have again held down interest rates on Business Development Loans whilst raising the upper limit for this facility to £250,000 to meet the needs of our customers. We completed during 1981, for instance, our 50,000th loan under our Business Development Loan Scheme and an increase of over 40% in lending to a total of £489m indicates the value and flexibility, as well as the competitiveness, of this kind of facility. We are also lending under the Government's Small Firms Loan Guarantee Scheme and our interest terms are the cheapest of the four major clearing banks.

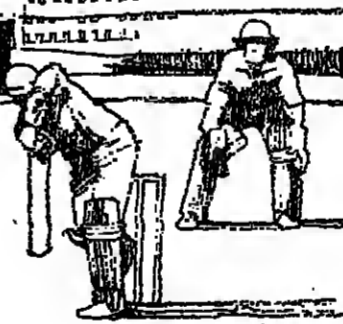


A Royal Opening for the National Westminster Tower

The cover of our Annual Report shows the Royal Standard flying over the National Westminster Tower on 11 June 1981. This was truly a memorable occasion when we were honoured by a visit by Her Majesty the Queen to declare the Tower formally open.

NatWest Bank Trophy

1981 saw the introduction of the competition for the National Westminster Bank Trophy. After a series of exciting matches, the Trophy was won by Derbyshire - literally on the last ball - when they defeated Northants in a closely contested Final at Lord's.



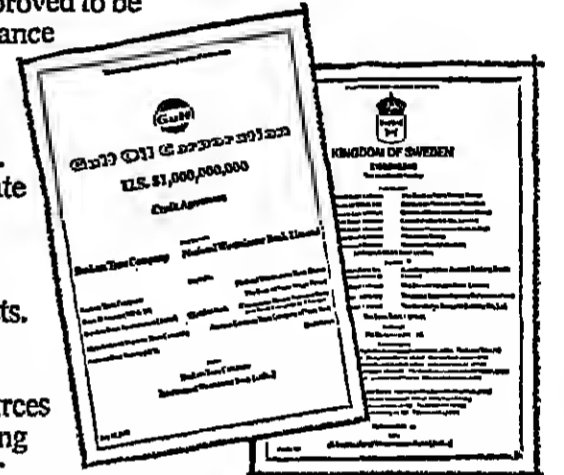
Our international presence

We see the Far East as offering major growth potential and in August an offshore executive office was opened in Singapore with a catchment area extending from China to Australasia and including Burma and the ASEAN countries. Our Canadian subsidiary applied for chartered status, now granted, and under its new name - National Westminster Bank of Canada, with an office opened in Montreal - we look to a material expansion of our business in that country to complement our substantial representation in the United States. In Germany, the activities of International Westminster Bank based in Frankfurt have been merged with our subsidiary Global Bank AG with effect from 4 January 1982 to form a new wholly-owned Group subsidiary called Deutsche Westminster Bank AG.



Corporate Finance

Our experience has proved to be of the utmost importance in meeting the sophisticated requirements of our corporate customers. We continue to operate in a very competitive environment, none more so than in the Eurocurrency markets. The need to make judicious use of the world's natural resources has meant a continuing involvement in major projects, particularly in the energy and related industries.



Youth opportunities with NatWest

Unemployment remains a pressing problem, especially amongst the young, and in recognising this we have increased the number of places made available each year under the Manpower Services Commission, Work Experience Programme. The Bank remains a major recruiter and is thus making a continuous contribution to employment levels among the lower age groups. We have also made grants available to bodies doing research into unemployment and have seconded able and senior managers to the job creation schemes.



Comments from the Chairman - Mr Robin Leigh-Pemberton

The improved profit is attributable to increased volumes of business handled by a marginally smaller number of staff using increasingly sophisticated electronic equipment. It is a very satisfactory performance particularly having in mind the 3% reduction in the average base rate in the UK and shows that our profits are little influenced by fortuitous circumstances outside our control.

The world economy during 1981 was very subdued, with low growth and rising unemployment in most countries. Governments in general were unable to adopt expansionary policies, because inflation remained high and payments imbalances were still very large. 1981 will be remembered as a frustrating year for the British economy and it has become apparent that the high inflation of past years is deeply embedded leaving British industry more seriously uncompetitive than remedial measures over the past two years have been able to correct. Government measures which are designed to reduce the cost burden on industry and to enable it to be more competitive are most likely to stimulate economic activity without introducing inflationary pressure. We therefore think it right to support the Government's broad monetary strategy; for us as a bank it has been a matter of judicious

Financial Highlights 1981

Ordinary share capital	£237 million
Reserves	£1,969 million
Money lodged	£39,709 million
Money lent	£31,791 million
Group pre-tax profit	£494 million
Retained profit	£273 million

Copies of the Report and Accounts, which include the Chairman's Statement may be obtained from the Secretary's Office, National Westminster Bank PLC, 41 Lothbury, London EC2P 2BP.

balance to ensure that at the same time we were not insensitive to the needs of our customers.

Our international banking policy remains appropriate to the difficult and highly competitive world scene, and we continue to seek good opportunities for growth of our existing business and expansion of our representation. We remain confident that our overseas loan portfolio is carefully balanced and distributed, and we shall continue to observe those principles of policy which we believe will contain our risks to acceptable levels. In the United States there is some prospect of recovery in the latter part of 1982 which should help to stimulate the economies of the industrialised countries in Europe.

I should say something by way of explanation of a policy of allowing loans for personal consumption to rise at a time when the demand from manufacturing and exporting customers remains below the level of available bank credit. Most personal loans are structured to be of short duration and repayment terms in our experience are scrupulously observed. We feel satisfied, therefore, in extending to that category of customer which contributes so much to our deposit base, a service which will not conflict with a commitment to provide adequate funds for manufacturing and exporting customers when the economy expands and the need arises.

National Westminster Bank Group

One of the world's leading banks

UK NEWS = LABOUR

Town hall union casts political vote

BALLOT PAPERS are being sent out today to 780,000 white-collar town-hall workers... The outcome of the ballot will be important for a number of groups...

Philip Bassett looks at Nalgo's poll on Labour Party affiliation

unless they were prepared to put both sides of the case... Many, including Mr Geoffrey Drain, Nalgo's general secretary, are firmly pro-affiliation...

TUC divided on plans for reorganisation

BY JOHN LLOYD, LABOUR EDITOR... THE TUC will divide sharply this week over the plan to radically reorganise the General Council...

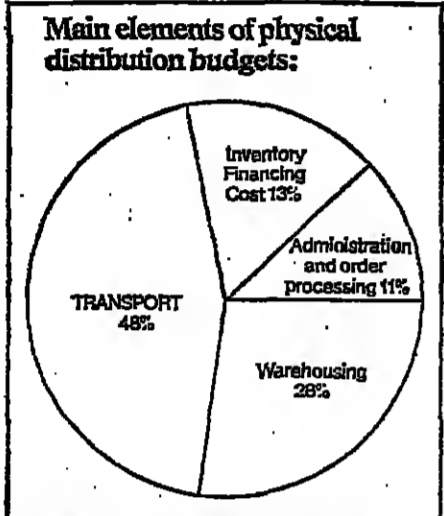
ASTMS in move to step up managerial recruitment

BY BRIAN GROOM, LABOUR STAFF... THE GROWING inter-union competition to recruit managerial and professional staff was underlined at the weekend...

Periodically the Royal Mail commissions articles by independent experts on various aspects of distribution... The article highlights the importance of distribution to a company's profitability...

The profit potential in distribution.

Companies should reconsider their distribution strategy at regular intervals, in the light of increasing costs and changing customer needs... Analysis of competition. Through comprehension of competitors' distribution patterns...



The article then examines eight vital steps in the evaluation of a distribution operation: Market segmentation, Alternative arrangements, Analysing the distribution network...

Royal Mail Parcels We mean business

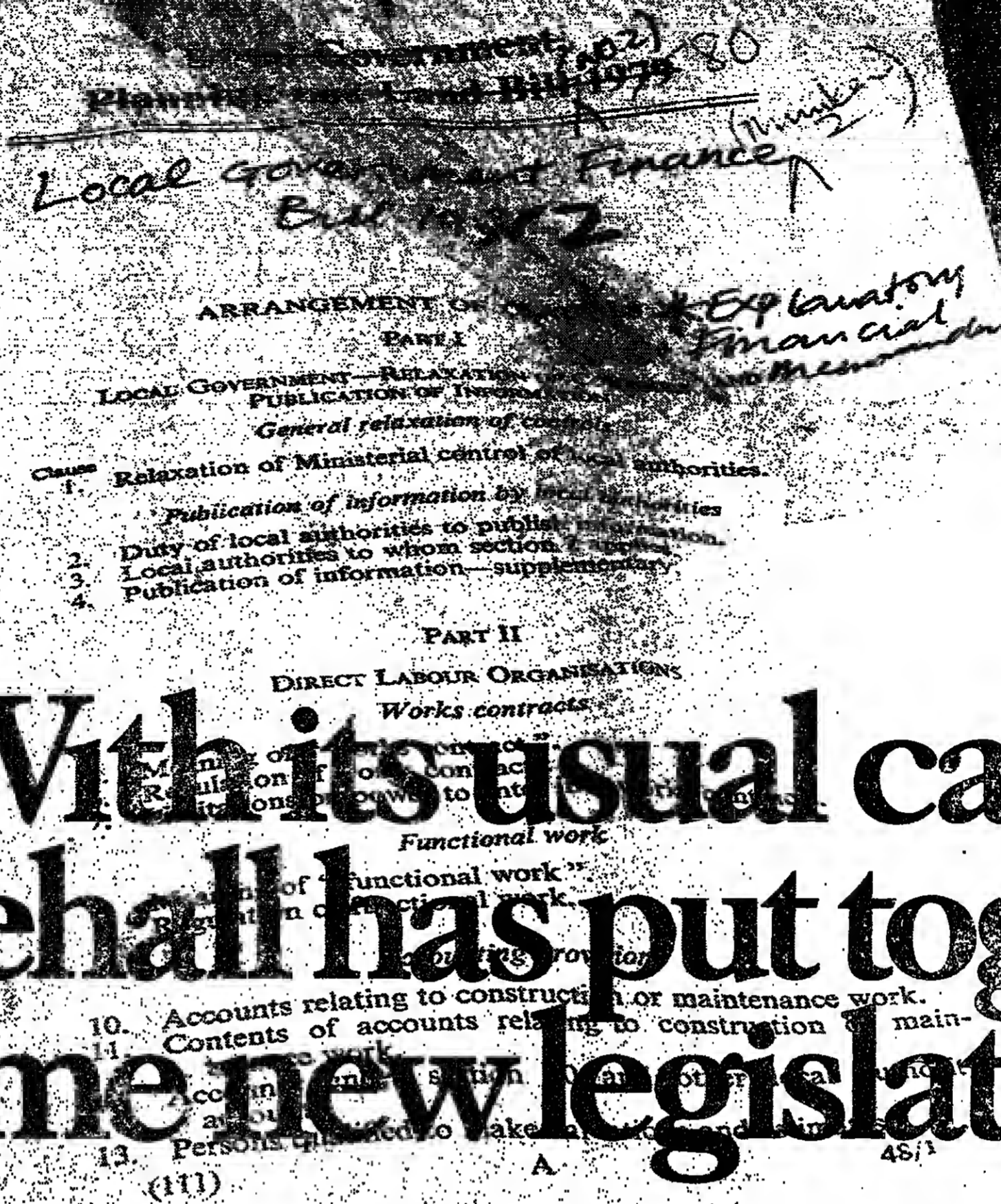
Who put an airtight case to Continental Can?

Advertisement for Wrexham featuring a cassette tape and a map of Wrexham. Text includes: 'Who else but Wrexham. Wrexham, where the American company Continental Can found a home from home back in 1980...' and 'We'd be pleased to send you our specially prepared ten minute compact cassette recording...'.

London-Bahrain.



Cathay Pacific-the only daily, daylight service. Contact your Travel Agent, or phone us direct on 01-930 7878. The Swire Group



With its usual care Whitehall has put together some new legislation.

The legislators are back. Particularly when it comes to imposing centralised control on local affairs.

In 1979 they put the Local Government Planning and Land Bill before Parliament.

Parliament didn't care for it. And the Bill was withdrawn.

Swiftly Whitehall put together some new proposals, imaginatively entitled the Local Government Planning and Land (No.2) Bill. It became law, transforming the financial framework within which Local Authorities work.

Within a year Whitehall was back with the punitive Local Government Finance Bill.

So many M.P.s doubted the constitutional wisdom of the referendum clause, the Bill was withdrawn within a month.

Now, for the fourth time in two years, the legislators are back. With (wait for it) the Local Government Finance (No.2) Bill.

And even as this Bill is about to become fixed in law, there is already in existence a

Government Green Paper outlining radical changes to the financing of Local Government.

The conclusion is that Whitehall is in too much of a hurry.

We believe this latest Bill should at least have a time limit imposed on it.

So that it can be replaced or abandoned once all parties are agreed on the proper relationship between Central and Local Government. And upon a new rating system.

To quote G.W. Jones and J.D. Stewart (Professors of Government, and Local Government respectively),

Whitehall's record is amazing: four bills in two years; two bills withdrawn; three major changes in intention; and a grant system that is not merely complex beyond belief but contradictory in purposes."

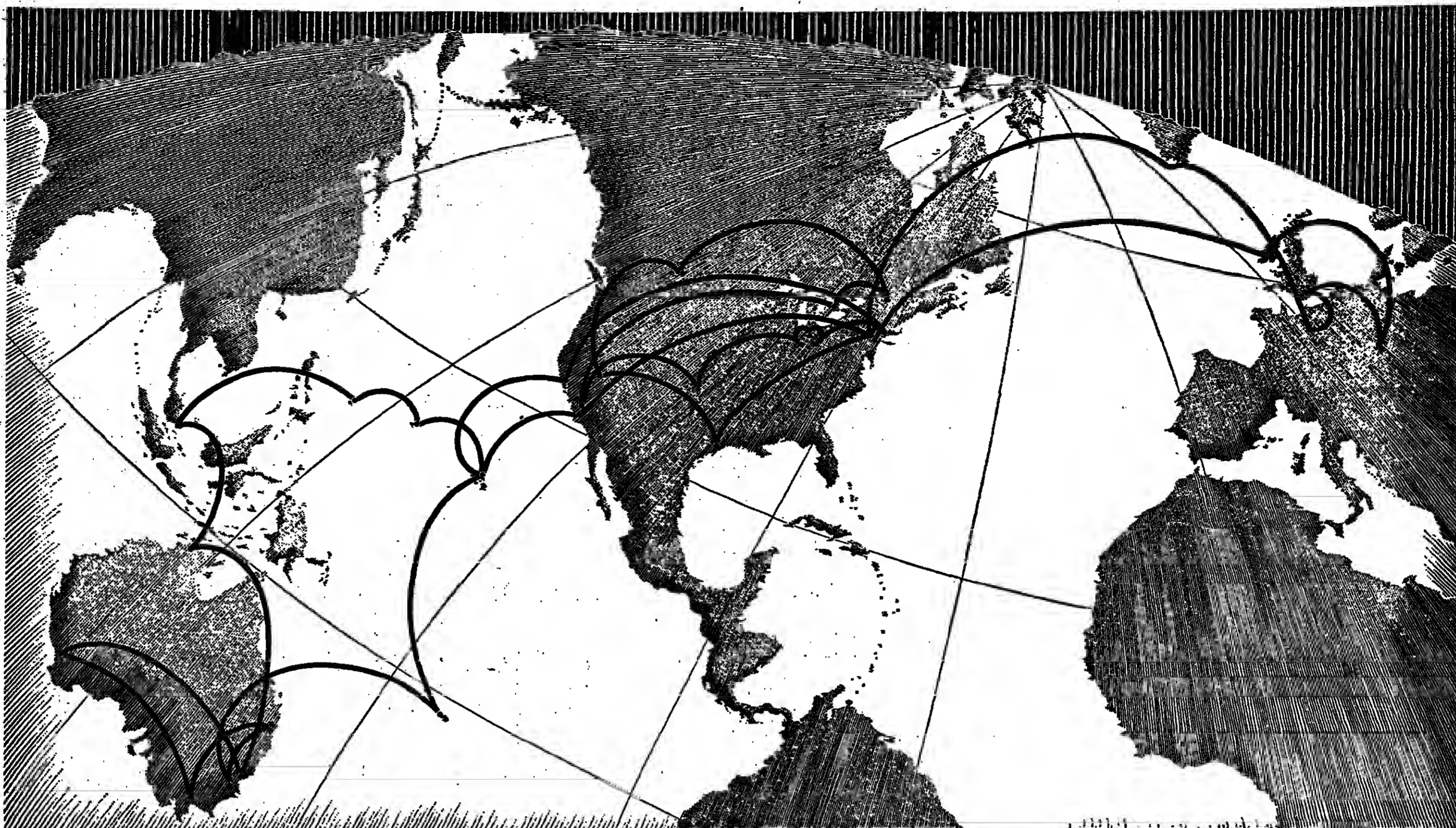
Is this the right way to legislate?

If you think not, write to your M.P. Ask him to voice the demand for a time limit on the Bill.

KEEP IT local

THE ASSOCIATION OF MUNICIPAL CORPORATIONS AND LOCAL GOVERNMENT AUTHORITIES. THIS ADVERTISEMENT HAS BEEN SPONSORED BY THE ASSOCIATION OF METROPOLITAN AUTHORITIES, REPRESENTING A LARGE NUMBER OF ENGLISH LOCAL AUTHORITIES, IN THE BELIEF THAT YOU SHOULD BE KEPT INFORMED.

CATHAY PACIFIC



When you fly a new corporate jet over 70,000 miles in 48 straight days, virtually anything can happen. In fact, virtually nothing did.

By now, you may be aware of the fact that the Canadair Challenger will fly its passengers more economically and in greater comfort than any other intercontinental corporate jet in the world.

What you may not be aware of is the success with which the first Challengers have already done so.

A crucial point illustrated best, we feel, by an actual case history.

What we did with this aircraft in less than two months, you probably wouldn't do in five months.

On September 14, 1981, Canadair Challenger #5 left its home base in Hartford, Connecticut with a crew of three, flew to New York to pick up eight passengers, flew to Long Beach, California for the National Business Aircraft Association Convention, flew 13 demonstration flights in two days, then left immediately for Honolulu and the Western Pacific.

The itinerary included Wake Island, Guam, Singapore, Kuala Lumpur, Penang, Paya

Lebar (Singapore), Darwin, Sydney, Perth, Melbourne, Essendon (Melbourne), Brisbane, Canberra, Pago Pago, Honolulu again, and finally San Francisco, Bridgeport and Hartford.

Total miles flown: 36,000. Total days: 20. Total takeoffs and landings: 60. Average hours flown per day: 4.7. Total hours flown: 93.4.

Dispatch reliability: 100%. Special maintenance and support provisions: none.

Which is not to say that, with its Pacific tour completed, the Challenger had arrived back in Hartford for a respite.

The next morning it refueled and flew to Europe.

And, by the sheerest coincidence, so did another corporate jet.

Duel over the Atlantic.

On October 4 and 5, respectively, the Canadair Challenger and another corporate jet flew New York to Vienna, with a stop in Shannon, Ireland.

As the chart below will show you, the Challenger arrived exactly three minutes later, and exactly \$2,367.12

cheaper. One way.

(Incidentally, based on computer projections of their manufacturers' own data, even some far smaller corporate jets with shorter range would not have achieved any meaningful advantage over the Challenger in fuel efficiency, while some corporate jets of comparable size would have required about 1/3 more than the Challenger.)

Which is still not to say that the Challenger then flew home for a respite.

Instead, it flew home for a tour of North America. By way of London, Paris, New York, Houston, Las Vegas, Pittsburgh, Montreal, Toronto, Calgary, Los Angeles, Cincinnati, Kansas City and Akron. To name just a few of the stops.

Total miles flown: 70,000. Total days: 48. Total takeoffs and landings: 111. Average hours flown per day: 4.1. Total hours flown: 195.9.

Dispatch reliability: 100%. Special maintenance and support provisions: none.

Which is still not to say that the Challenger then flew home for a respite.

At this writing, it is uninterruptedly flying its missions, receiving only routine maintenance and parts support and giving no one even the slightest degree of grief.

For a detailed explanation of how a corporate jet so new can possibly be so reliable, we suggest you ask the man in the best position to know. His name is James B. Taylor and he's the President of Canadair Inc. His address is 274 Riverside Avenue, Westport, CT 06880 and his telephone number is (203) 226-1581.

There's a great deal he can tell you himself. And, if you like, he can even have you meet with the maintenance people responsible for that Challenger.

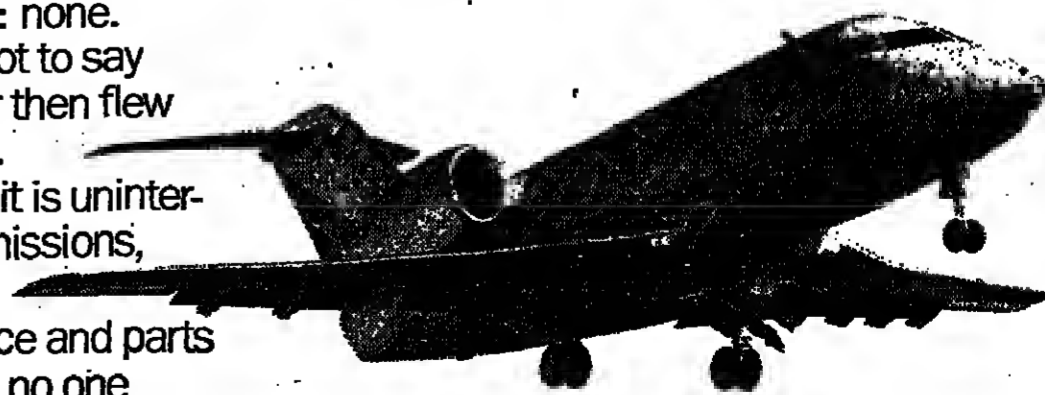
They have lots of free time on their hands.

In the Mideast business world, TAG Aeronautics Ltd. is the exclusive distributor and representative for Challenger sales and support. For further information, contact Adel A. Oubari, Vice President, TAG Aeronautics Ltd., 14 Rue Charles Bonnet, 1211 Geneva 12, Switzerland. Phone: (022) 46 17 17. Telex: 289 084.

	TOTAL PASSENGERS	TOTAL TIME EN ROUTE	TOTAL DISTANCE	TOTAL FUEL CONSUMPTION	TOTAL FUEL COST*
CHALLENGER (OCTOBER 4)	8 + 2 CREW	8HR. +51 MIN.	3,760NM	2,782 GAL.	\$4,673.76
ANOTHER CORPORATE JET (OCTOBER 5)	8 + 2 CREW	8HR. +48 MIN.	3,760NM	4,191 GAL.	\$7,040.88

Flight summary: New York-Shannon-Vienna-October 4 and 5, 1981.

*Based on an average cost for jet fuel of \$1.68 per gallon. From a national survey of U.S. fixed base operators as reported in the November 1981 issue of Business and Commercial Aviation.



canadair challenger



MEXICO is a very chastened place these days. For a decade it had lived on a euphoric wave of partially realised hopes of economic bonanza. And any other country would have done the same.

In 1970 there seemed little to halt the inexorable slide towards economic crisis as Mexico found itself unable to pay for the imports needed to keep its industry growing and provide the jobs needed to keep the unemployment situation moving from the grave to the disastrous. In that year a diplomat in Mexico City commented to me that, as far as he was concerned, the question was not if there was going to be another wave of revolutionary insurgency but when. "People are beginning to starve in the countryside and they'll soon start rioting," he said.

During those six years, which coincided with the term of President Luis Echeverria, a new plant was inaugurated on average every 34 days. As millions of barrels of new reserves were discovered production shot up and the price

BY HUGH O'SHAUGHNESSY
Latin America Correspondent

Then the oil boom started. Petroleum Mexicanos (Pemex), the state oil monopoly about which the international oil companies had been publicly dismissive for years began to show unsuspected strengths. It started to reappraise its existing geological information and drill new exploratory wells with very remarkable results.

In the years between 1971 and 1976 Pemex spent 34 per cent more on investment than in its previous 32 years of existence.

did the same. Today oil provides some 70 per cent of all export revenue and has certainly kept the balance of payments and government revenues from undergoing the severe crisis which was looming in the early 1970s. Politicians forecast that the economy would grow for years at 10 per cent a year.

In the past few months however the boom has turned into a nightmare. Last year the Government was so sure that the good times would continue indefinitely that it sacked the head of Pemex when he reduced prices of crude exports in line with the demands of the market and raised prices back above previous levels.

The gods have since taken their revenge for such a presumptuous act. Customers boycotted Mexican oil and Pemex was again obliged to cut prices

in order to retain markets. At that moment the bankers who had been pressing loans on Mexico, a country they regarded as one of the brightest prospects in the developing world, decided that the outlook was now gloomy and ceased courting potential Mexican borrowers.

At the same time Mexicans and foreigners alike woke up to the fact that the peso had become considerably overvalued as the rate of its depreciation against the dollar was nowhere near matching the gap between the levels of inflation in the U.S. and that in Mexico itself.

A further worry came with the realisation that Mexico owed the rest of the world around \$70bn, a figure comparable to the often quoted debt burden of Brazil.

In a very short time sentiment, domestic and foreign, did a remarkable turnaround and everything that a year ago had been taken as a sign of Mexican economic strength—its oil resources, its proximity to the U.S. market, its success in raising tens of billions of dollars on the euromarkets, the relative stability of its currency—became bear points.

As the peso tumbled last month in a massive devaluation which brought it down from 27



ROOMING MEXICO CITY SYMBOLISES THE COUNTRY'S GROWING WEALTH. THE SKETCHES ABOVE ARE OF THE COMMERCIAL SECTOR (LEFT) AND THE BUSY TRAFFIC PATTERNS (RIGHT) IN THIS CAPITAL OF 12M INHABITANTS. CENTRE, ONE OF THE OFFSHORE OIL PLATFORMS PRODUCING THAT WEALTH. THE ILLUSTRATIONS ARE PART OF A SERIES IN THIS SURVEY BY JIM ANTONIOUS ARIBA, CONSULTANT ARCHITECT ON A NUMBER OF MEXICAN URBAN AND RURAL STUDIES.

to 45 to the U.S. dollar fears were again being expressed that bad economic prospects would bring about political crisis. The pessimists argued that the rate of inflation, which is forecast by ministers to be not less than 50 per cent this year, would bring severe hardship to labour which would in any event be hit hard by the slowdown of the economy prompted by the drop in oil prices.

With President José López Portillo and his designated successor Sr Miguel de la Madrid unable or unwilling to defend the existing standards of living of workers, the argument went, the mistrust of government and the disappointment of hopes would sooner or later well up into political protest and possibly even insurrection.

As the Government and public opinion begin to settle down after the trauma of the devaluation and to be reconciled to the prospect of several years of growth of not more than about 4 per cent a year there are signs that the state of panic is lifting. Mexico is realising that its problems are neither unique in the developing world nor insoluble.

Pemex is pushing ahead with an exploration and sales campaign. By the end of the year

the company should with little difficulty have reached a daily production target of 3m barrels and have substantially increased the proportion of saleable light isthmus crudes to the less sought after heavy Maya crudes.

Having learnt its lesson in 1981, the state oil company is taking care not to let its export prices get out of line with the market. As a new exporter, it is keen to extend its markets and consolidate customer loyalty. When President Echeverria decided not to take Mexico into Opec he pledged that the country would never undercut Opec prices.

With Opec at sixes and sevens about its pricing policy the Mexicans feel that their Opec colleagues have made it difficult for them to continue with such a pledge. Mexico is making sure that it will not be bested in any price war.

There are indications, too, that an export consciousness is dawning—or being forced—on the rest of industry. "Hitherto we have developed our industry on the high plateau in the centre of the country. Our ports are bad and we never knew very much about ships," remarked one industrialist.

"Now with a recession squeezing demand at home and the peso devalued abroad we'll have to learn to export," he

said. As market forces have their effect on the economy the powerfully organised political structures of the country look likely to dampen whatever impetus for revolt there arises in Mexico. Government and ruling party are almost consubstantial in Mexico. For 50 years the Institutional Revolutionary Party (PRI) has been running Mexico in a structure which, if pluralistic in form, has never allowed any rivals near the seats of power.

The permanence of the PRI in power has led to some moribund politics. The opposition parties know that they are going through a nime as they postulate their candidates for president and the voters know that a vote against the PRI is a wasted vote.

Apathy about the electoral process became so widespread that the Government recently introduced reforms to encourage some real, though carefully controlled, opposition. No one doubts however that Sr de la Madrid as PRI presidential candidate will be returned with a big majority in the July 2 elections.

The PRI way of politics has survived because those who benefit from the system are allied to those who see the PRI as the only practical way of

CONTENTS

- Politics: No threat to ruling party II
- Economy: Critical year after devaluation II
- Industry: Braced for tougher times III
- Military: Eye on Central America III
- Oil: Exports buck world trend IV
- Oil: Growing international presence IV
- Mining: Top supplier of silver IV
- Oil: Hydrocarbons in abundance V
- Foreign policy: Focused on the U.S. VI
- Tourism: Hopes of end to deficit VI

Bancomer.
A bank where
North and
South meet.

Bancomer is a meeting point for both North and South; we are Latin, but we are right in North America and this gives us a broader vision of the two areas and their financial characteristics. This is what we offer you, to get you in touch with both of them giving you the benefit of our experience and banking know-how.

Tap Bancomer experience in Mexico and Latin America next time your business ventures bring you North or South.



Head Office:
Bancomer Center Av. Universidad 1200 México 03339. D.F.
Telephone 534-00-34 Telex 1775761-BCSAME.

London Branch
15 Austin Friars 4th. floor
London EC2N 2HE, England
Telephone 01-5880951/60

Other Offices Abroad

New York Agency 299 Park Avenue 27th. floor New York, N. Y. 10071 U.S.A.	Tokyo Shin-Kokusai Bldg. Room 842-4-1 Marunouchi 3-Chome, Chiyoda-Ku Tokyo 100, Japan
Los Angeles International Banking Branch 444 So. Flower St. 39th. Floor. Los Angeles, Calif. 90017, U.S.A.	Sao Paulo 1439 Paulista Avenue 10th. Floor Room 101 Sao Paulo (SP) Brazil
Madrid Alcala 30 5th. Floor, Room 11, Madrid 14, Spain	

SHAREHOLDER IN LIBRA BANK, LTD. OF LONDON.

No threat to ruling party despite voters' wider choice

AFTER DECADES of a monolithic political life under the Institutional Revolutionary Party (PRI) which has ruled Mexico for 53 years, politics have suddenly become much more of a mosaic. Nine parties are competing in the July 4 presidential and general elections, five of them for the first time under the programme of political reform.

There is still no doubt, however, that the official party will win an overwhelming victory. The PRI is deeply entrenched in the state, controls the system of patronage and exercises a strong influence over most of the media. Under the PRI's stewardship Mexico has enjoyed a long period of political stability since the 1910 revolution in which 1m people died.

But the stability or "one party democracy" as the Mexican system has been called, has not prevented the development of a socially very unbalanced society. The World Bank estimates that between 1963 and 1977 the share of national income going to the poorest 20 per cent of the population fell from 4.0 per cent to 3.6 per cent. The top 20 per cent of the population also saw its share decline—from 56.8 per cent to 53.3 per cent. But the

gap between rich and poor is still very wide.

If any improvements in income distribution have been made since then in favour of the poor, under the impact of the country's oil wealth, they have been minimal.

Millions of peasants and dwellers in urban slums live on the absolute poverty line. Given this situation, it is to be expected that the political reform will eventually bring out the country's latent class struggle.

Framework

President Jose Lopez Portillo introduced the reform in 1979 in order to open up the existing system and steer dissent through an institutional framework. The reform is also aimed at giving it stronger opposition and combating the high level of abstentions. These are interpreted as a sign of discontent under the present system.

The political reform is taking place against a delicate background. The country's economy is deteriorating rapidly after four years of boom. Declining oil revenues have forced the Government into stabilisation measures.

The PRI has long claimed to represent all national interests through its three sectors covering the peasantry, the middle class and organised labour. But the condition of Mexican society shows that the PRI has done the bidding of the rich while speaking in the name of the poor.

Now, with the emergence of new parties like the United Socialist Party of Mexico (PSUM), a coalition party organised around the Communists, Mexican politics are becoming more class-based.

The 22m Mexican voters will have an unprecedented set of political choices next July.

The PRI ticket again includes two insignificant stooge parties, the Popular Socialist Party (PPS) and the Authentic Party of the Mexican Revolution (PARM). On the PRI's right is the National Action Party (PAN), a pro-Catholic Church party with strong private sector links, and the more extreme Mexican Democratic Party (PDM).

On the PRI's left, apart from the PSUM, is the Revolutionary Party of Workers (FRT), a genuine Trotskyist party, and the Socialist Party of Workers (PST), which many believe to

be in the Government's pocket like the PPS and the PARM.

In the middle there is the Social Democratic Party (PSD). All but the PRI, PPS, PARM and PAN are newly legalised parties.

The elections for President, 400 seats in the Congress (100 of them awarded on a proportional representation basis) and 64 senators will be the most open in Mexico's history.

But old habits die hard. The PRI's campaign can hardly be said to be a fair one. Opposition parties on the Right and the Left have long claimed that the PRI wins some elections by fraudulent means. The recent elections for governor of the state of Yucatan were widely denounced.

But as a well-known Mexican political commentator once pointed out, the PRI does not have to resort to stuffing ballot boxes in order to win elections. The party has at its disposal so many human and financial resources that it steamrollers the opposition. The PRI's high rise headquarters in Mexico City, adorned with a mural depicting revolutionary scenes, is as large as a Ministry building. The PRI is known as the "Ministry of Elections"

The PRI's finances have always been a mystery. The party receives quotas from its three sectors, particularly from trade unions, most of which are affiliated to the party. State funds are also used by PRI governors and mayors for party activities.

The PRI has not stated publicly how much it is spending on the elections, but it is believed that the party's campaign is costing tens of millions of dollars.

Its advertising outlay alone is forbidding. Uno Mas Uno, the liberal newspaper, relentlessly prints day after day the four to five speeches given by Sr Miguel de la Madrid, the PRI's presidential candidate.

The speeches however do not appear as adverts although they are run verbatim.

Other parties are receiving some financing from the state, but the amounts are tiny compared with the PRI's fat budget.

Sr de la Madrid has spent the past five months flying about Mexico in the PRI's jet. Hordes of Mexican journalists accompany him and are paid by the PRI's Press department for covering the gruelling campaign. There are also other perks for Mexican journalists. When Sr de la Madrid campaigned in Baja California, journalists were able to buy television sets and other consumer goods in that state's duty-free zone and bring them back to Mexico City to sell on the black market.

The PRI uses the carrot and the stick to exercise political control. Rebellious students have been co-opted by the PRI and gone on to enjoy successful political careers. On the other hand, strong-arm tactics are sometimes used when the PRI

loses control of an area and wishes to get it back in the fold.

The Communist-run town of Juchitan in the state of Oaxaca, the only one on the American mainland, came under attack from Right-wing groups after the PRI lost the municipal elections there last year. Two attempts have been made on the life of Juchitan's mayor and a member of the town council was murdered.

BASIC STATISTICS

Area:	1,973,000 sq km
Population:	71.51m
Currency:	Mexican peso, \$=22.60 pesos
GNP (1980):	4,159.3bn pesos
Per capita:	57,840 pesos
Trade (1980):	
Exports:	357.52bn pesos
Imports:	446.97bn pesos

State authorities also tried to discredit the town by carrying out a politically inspired audit of the town's books. An audit was never carried out under the PRI.

Despite the political reform, human rights abuses are still committed. The chapter on Mexico in the 1981 Amnesty International report says: "The concerns of Amnesty continue to be irregular arrests, detention and trial procedures, including the use of confession obtained under torture as the only evidence to convict people on criminal charges when the real reasons for arrest were political."

The candidate for the Trotskyist PRT is Sr Rosario Ibarra de Piedra, president of

the National Committee for the Defence of Prisoners, the Persecuted, Disappeared and Political Exiles. Her son disappeared in 1974. An estimated 300-400 people have been taken into custody in recent years and their whereabouts are unknown.

Many of the human rights abuses reported to Amnesty last year involved land tenure disputes. The pressure for land in some areas like the Huasteca in the state of Hidalgo is particularly intense. Some peasants who have occupied land have been killed by paramilitary units in the service of large landowners.

Activists in "independent" (i.e. Left-wing) trade unions are also prone to attack. The murder of Sr Misael Nunez Acosta in 1980 is still a burning issue among those teachers in the state of Mexico trying to form their own union.

Mexican newspapers reported the arrest of two people charged with Sr Nunez Acosta's death. They confessed to the crime to the police and claimed that they had been paid by a leading member of the PRI-affiliated national teachers union. The two men were imprisoned and later escaped.

The repressive side of the Mexican political system is a far cry, however, from the abuses committed in most of the rest of Latin America where Right-wing military governments rule by terror. One of the PRI's successes is that it has eased out the military from direct political power.

The Mexican system is remarkably stable and subtle. The PRI does rule by consent. The system's greatest in-built safety valve is that the President cannot stand for re-election. This stability factor pre-

vents the system from becoming a personalised dictatorship.

Mexican presidents rule like absolute monarchs for six years. They control the bureaucracy, the judiciary and the PRI and through their right to veto all legislation passed by Congress they also control the legislature. The President is also commander-in-chief of the armed forces. The strongly presidentialised system limits the area of political reform.

But because of the limited term of the presidential office there is a large turnover every six years even down to the level of departmental heads within the Ministries and the public sector.

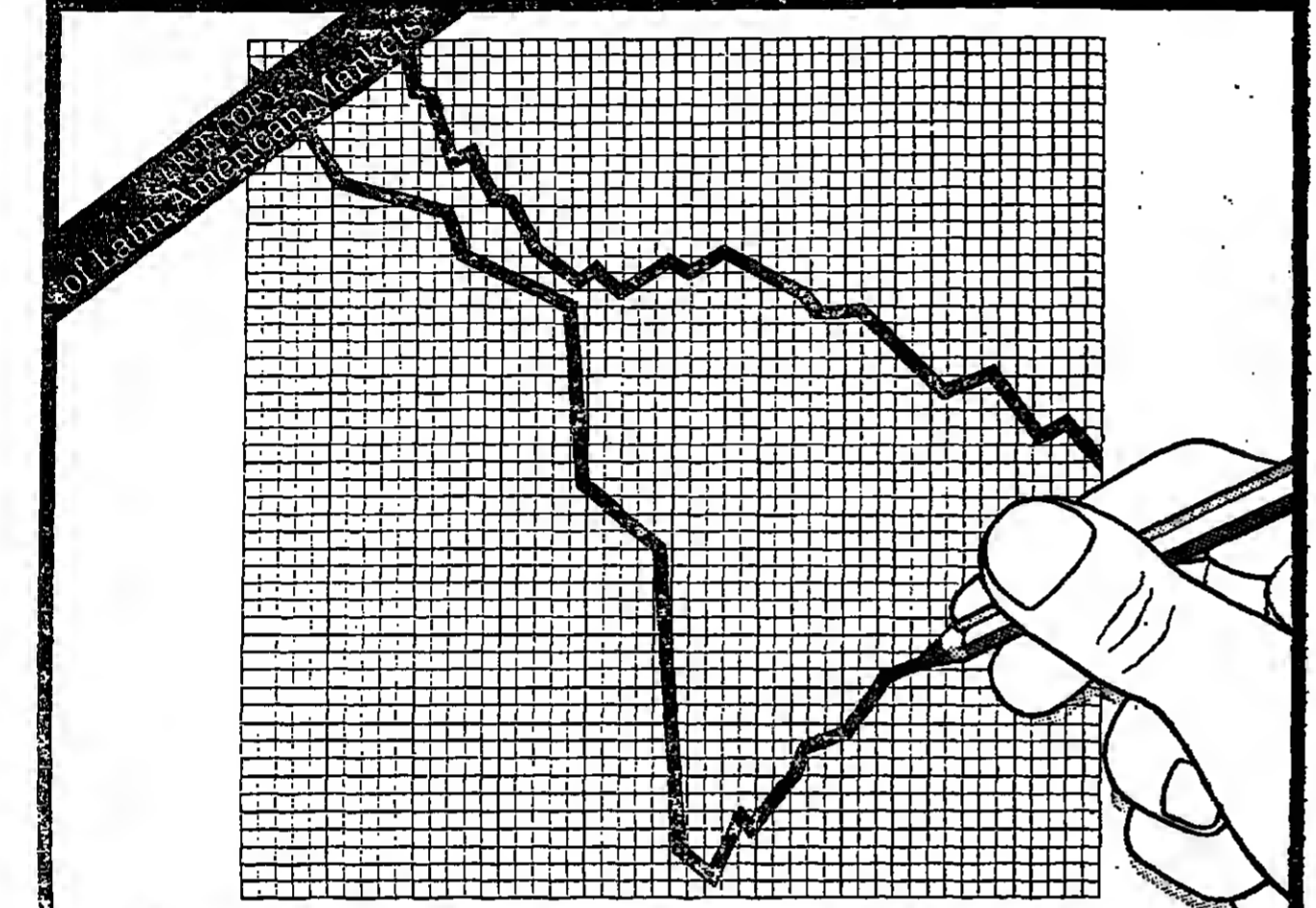
The regular turnover gives PRI activists a good chance of achieving political or executive power at some stage during their career. Public sector jobs can be extremely lucrative.

Corruption under the present government has reached unprecedented levels. A senior Mexican banker estimated that officials in Pemex, the state oil monopoly, receive on average a 10 per cent take-off from contracts with foreign and domestic suppliers.

President Lopez Portillo himself compares corruption to a "cancer which runs the risk of devouring Mexico if we do not succeed in controlling it." Sr de la Madrid has made the fight against corruption a central part of his campaign and has called for a "moral renovation."

All presidents have made the same call, but so far in vain. The need to do something about the problem is greater now than ever.

William Chislett
Mexico City Correspondent



Latin American Markets

With more than 250 million people, Latin America is a much bigger market than the Arab world. Yet objective news, comment and economic analysis of the area are difficult to acquire.

This is why Financial Times Business Information Ltd launched LATIN AMERICAN MARKETS (LAM). Published every two weeks, LAM provides an efficient information and monitoring service for international industrialists, businessmen and financiers with interests in the region.

- You will find regular coverage on:
- Banking and Finance—coverage of investment, and borrowing plus currency tables, economic indicators and export finance.
 - Energy—regular reports on exploration programmes, marketing trends, production and consumption and regional cooperation.
 - Commodities—analysis of commodity price fluctuations and the implications for the area and the rest of the world.
 - Politics, trade, tenders, finance, country profiles, personalities, trade shows, exhibitions and conferences—anything that will be of practical use to our readers.

A complimentary copy of LAM is available to all readers of this advertisement.

Send for your copy now, or instruct us to begin your subscription immediately by completing and returning the coupon below.

SUBSCRIPTION OFFER FORM

I wish to take out an immediate annual subscription to Latin American Markets at £185 (UK) or £197 (outside UK). Overseas rates include air-speeded delivery and are payable in any international currency converted at current exchange rates.

Please send me a FREE copy of Latin American Markets

Cheque or money order enclosed Please invoice

Cheques should be made payable to FT Business Information (LAM)

BLOCK CAPITALS PLEASE

name.....

position.....

organisation.....

address.....

country.....

nature of business.....

signature..... date.....

Return to: Subscriptions Dept, LAM, Financial Times Business Information Limited, 15th Floor, 20, Abchurch Lane, London EC4N 3DF

For Office Enquiries, Tel: 01-573 3000, 01-573 3001, 01-573 3002, 01-573 3003

Critical year for economy after peso devaluation

THIS IS a critical year for the Mexican economy as the Government gets to grips with a stabilisation programme following last month's 40 per cent devaluation of the peso.

For the past four years the economy has roared along like an express train, thanks largely to the country's massive oil wealth. Real growth has averaged 8 per cent during that period and an astonishing 2.5m new jobs have been created.

Substantial progress has also been made in agriculture, Mexico's Achilles heel, where growth of output is now greater than the explosive population rate.

But this impressive performance has only been achieved at a high financial cost. Mexico now has the dubious distinction of being the world's most indebted country, with a total foreign debt estimated at \$68bn. The public sector external debt has risen 85 per cent in the past four years to \$48.7bn and the private sector debt is reliably estimated at \$19.2bn.

The current account deficit was a record \$11.7bn last year, 73 per cent more than 1980 and almost 5 per cent of Gross Domestic Product (GDP) despite a significant increase in oil sales.

The public sector deficit of 7350m pesos (\$27.2bn) was 12.5 per cent of GDP last year.

Inflation has spiralled and the peso became overvalued as U.S. and Mexican inflation rates got out of line.

Mexico's oil wealth encouraged the Government to overspend and be lax about reducing the very high level of subsidies, which were about 10 per cent of GDP last year.

The world oil glut has come as a great shock for Mexico, a newcomer on the present international oil scene—although it was a major producer 70 years ago.

Servicing last year's public sector external debt alone swallowed up some 85 per cent

of the \$13.3bn revenue from oil exports. Oil revenue fell \$6bn below target because of the glut.

Tumbling oil prices have brought the Government up with a jolt. The country's state of financial disequilibrium is now severe. Unless there is a marked improvement in the external accounts this year there is a very real danger that the progress made over the past four years will be undermined.

As things stand at the moment there are few serious signs that the government will really cut back, a reluctance which is causing serious concern in domestic and international financial circles. It gives every impression of continuing to live in an ivory tower.

Adjustments in an uneven society like Mexico's cannot, of course, be made overnight. To dampen down expectations suddenly, after raising them for the past four years, could spark off

social unrest. Unemployment will increase this year. On the other hand the longer corrective measures are delayed the greater will be the economic upheaval.

The World Bank warned in its last confidential report on Mexico—which came out six months before the devaluation—that the continuation of expansionary policies would culminate in drastic measures having to be taken in 1982 and a considerable slow-down in economic growth for two to three years.

Despite cutting back economic growth by almost four points this year to 4.0-4.5 per cent the Government is still talking of borrowing \$11bn net (\$20bn gross) after almost \$16bn net in 1981.

This means pushing up the public sector external debt to nearly \$60bn. As a result Mexico will be very much at the mercy of international interest rates. Unless they drop substantially over the course of the year servicing this year's debt will eat up all Mexico's oil revenue of \$13.14bn. In the present situation oil revenue is unlikely to be greater than last year.

Bankers are convinced that interest margins will have to rise because of the huge amounts Mexico is seeking. They are already increasing significantly.

Non-oil exports, which declined in real terms by 1.4 per cent last year, will not greatly benefit from the devaluation because Mexico's overseas markets are depressed and there is a lack of extra domestic production capacity. The import bill, however, will rise since the economy is closely tied to the U.S. dollar.

This year's budget is being cut back by only 3 per cent, which is hardly a belt-tightening measure unless further cuts are to be made which the Govern-

ment prefers not to make public for political reasons.

The 1982 budget deficit will be at least 8 per cent of GDP—the pre-devaluation target. Given Mexico's propensity in the past to overspend the deficit could be higher.

To some extent the Government is the victim of its own success. Having locked itself into major expansion plans in virtually every sector of the economy from schools to steel on the basis of high oil revenues, it cannot easily cut off or postpone the programmes.

The stabilisation programme also includes tax relief for the private sector. This is bound to exert pressures on the already constrained budget at a time when the Government should be trying to control public spending to curb inflation.

Consumer prices are forecast to increase by 45-50 per cent this year because of the devalu-

ECONOMIC INDICATORS

	1976	1979	1980	1981	1982
Real economic growth (GDP) ...	8.1	9.2	8.3	8.1	74.5
Current account deficit (\$bn) ...	2.7	4.9	6.6	11.7	111
Consumer prices (per cent rate of increase) ...	16.2	20.0	23.8	28.7	150.0
Year-end public sector debt (\$bn)	26.2	29.5	33.8	48.7	59.7
Oil and gas exports (\$bn) ...	1.3	3.5	9.3	13.8	11.5

† Estimate. Remainder Central Bank figures.

and have also been depositing their dollars in U.S. bank accounts.

The country's total international reserves, which stood at a record \$10.7bn at the end of 1981 thanks to some expensive short-term borrowings, were whittled down in the six weeks before the devaluation to a low level. The Bank of Mexico has refused to say by how much; President Jose Lopez Portillo spoke of "veritable assaults" on the reserves.

At the same time interest rates have begun to come down in an attempt to stimulate the depressed stock exchange and to take some of the pressure off the private sector. Prime commercial borrowers could only raise bank loans before the devaluation at an effective rate of up to 50 per cent. Interest rates on short-term peso deposits were reduced by two per cent on March 8, the largest single cut since the Bank of Mexico began its flexible policy in 1979.

Such a sharp decline would appear, however, to contradict the stated policy of maintaining "real" interest rates in order to avoid another surge of new deposits in dollars as opposed to pesos. Higher interest rates are also needed, say analysts, to maintain the tighter monetary policy.

The Government is also in an awkward fix; with the trade unions, which are pushing to be compensated for the loss in purchasing power caused by the devaluation. The wage increase ceiling was fixed at 35 per cent before the devaluation, which would have allowed workers to regain some of their lost purchasing power given that inflation, was estimated at 30 per cent.

Unions made some sacrifices after the abrupt devaluation of the peso in 1976 and they are now in a more militant mood. None the less, they are closely allied to the Government through the ruling Institutional Revolutionary Party.

At the time of writing the unions, the Government and the private sector were still negotiating the extra wage increase. Some observers believe the Government will be lucky to get away with less than a 15 per cent increase in wages.

The Government has been getting tough with commercial establishments which have broken new price control regulations. Over 900 shops, including major department stores, at the Perisur shopping complex in Mexico City were closed in the first week after the devaluation.

The government has extended price controls to products like cars, television sets and a further range of foodstuffs, and is limiting the increases to 10 per cent until mid-July.

Perisur is a fitting monument to the bad effects of sudden oil wealth. Set among 52 acres with four different department stores, 154 shops, restaurants and banks, the glass and concrete shopping complex, the largest in Latin America, offers everything from imported Japanese motor-cycles (carrying over 100 per cent duty) to sophisticated kitchen-ware.

The volume of trading at Perisur in Mexico's newly straightened circumstances will be an interesting barometer of whether the country has stopped living beyond its means.

W.D.C.

NATRA - FICSA S.A. de C.V.

a Mexican joint venture company

has been formed by:



Casas Prefabricadas S.A. de C.V. (CAPREFASA) and NATRA (Overseas) S.A.

International Mexican Bank Limited assisted with this transaction

July 1981

Handwritten signature or note at the bottom of the page.

MEXICO III

Industry braced for tougher times

AFTER FOUR YEARS of dramatically rapid growth Mexican industry is bracing itself for tougher times as the international oil glut and worldwide recession slow the economy's advance.

But viewed with hindsight the current economic problems are likely to be seen as little more than a temporary, albeit large, hiccup in the industrial progress of a nation which already has one of the most advanced manufacturing sectors in the developing world.

Uniquely among the Third World oil powers Mexico developed a solid infrastructural base before it discovered its crude wealth in the mid-1970s. This has given the economy a far greater capacity to absorb the oil riches and turn them into industrial fixed assets than many other countries — though even in Mexico the past few years have produced manpower shortages and supply bottlenecks.

Walk into any large shop in Mexico City and you are likely to be impressed by the wide range of consumer goods bearing the "Made in Mexico" label. They range from cars and trucks (some 600,000 units a year being sold at present) through white goods (600,000 a year) and television sets (900,000) to children's toys.

But the country differs in two important respects from other states at the forefront of the Third World development—the so-called newly industrialised states such as Brazil and South Korea.

It has yet to develop a broadly based capital goods sector and manufacturing is geared overwhelmingly to the domestic market rather than to exports. The Government is anxious to remedy both weaknesses.

Before the oil boom the country's industrial structure was built up on two economic foundations: classical import substitution and — a Mexican innovation — the "maquiladoras" or "in bond" system, a type of offshore assembly industry. Maquiladoras plants are strung along the border with the U.S., are 100 per cent foreign-owned, work solely for the export market and pay no duties on the import of raw materials. There are now over

600 of them, employing over 125,000 people.

This pattern of industrialisation worked well in the 1950s and 1960s, when Mexican industry enjoyed a strong growth rate behind high tariff and quota barriers. But by the 1970s the easiest forms of consumer goods substitution were nearing the limit and the development of intermediate and capital goods sectors was proving more difficult. Industrial growth slackened. Then, happily for the Government, along came oil to provide a fresh springboard for industrial advance.

Growth in manufacturing output, which slumped to a net of 2.3 per cent in the mid-1970s, soared to around 9 per cent in the later years of the decade. Even last year, with the onset of the glut, a 7.4 per cent growth rate was recorded, according to provisional central bank figures.

Equally dramatic has been the increase in fixed assets by both the public and private sectors. In nominal terms they have grown by 40 per cent or more each year since 1977, representing a real per annum rise of between 18 and 20 per cent.

Anxious to ensure that oil leads to broad-based development and not an ever-increasing reliance on the petroleum sector, the Government is pushing ahead with an industrial plan whose key features are as follows.

● A major expansion of the country's steel industry to meet domestic needs. Production is expected to rise from 7m tonnes a year now (4m from the state sector, 3m from private companies) to 24m tonnes by 1990 (18.5m from state companies). This is one of the more controversial of the Government's plans, with some analysts questioning the wisdom of such a very large capital commitment at a time when there is a world glut of steel. The Mexicans justify the development on grounds of security, job creation — the possibility of a steel shortage by the time all the plants are operating and the development of an integrated oil industry supplies sector.

● A substantial increase in the manufacture of petrochemicals for both domestic and export markets to yield the maximum value added from Mexico's hydrocarbon resources. The aim is to more than double basic

capacity—in which Pemex, the national oil company, enjoys a monopoly—from 9m tonnes to 23m tonnes by 1990. Secondary production, where the private sector can be involved, is due to increase from some 6m tonnes a year to 9m tonnes by the mid-1980s.

Some analysts have raised doubts about the scale and economics of some of the petrochemical projects — particularly at a time when Middle Eastern oil states are planning a major expansion of feedstock production. There can be little quibbling over the broad thrust of Mexican policy, however. As one industry leader puts it: "The Mexicans have got all the advantages the Saudis have and more besides—skilled manpower and proximity to the American markets, both North and South."

● Decentralisation of industry to under-developed areas of the country. At present some 70 per cent of industry is concentrated in the three big urban centres of Mexico City, Monterrey and Guadalajara on the country's high central plateau. Far from the energy and agricultural raw materials on the coast and in the north and south.

The Government is therefore developing four industrial ports — Altamira and Laguna del Ostion in the Gulf of Mexico and Lazaro Cardenas and Salina Cruz on the Pacific coast. Companies are being offered substantial incentives such as cheap energy and tax reductions to locate themselves in the ports and in a large number of middle-sized towns dotted around the country. The move is starting to pay dividends, albeit slowly.

● Encouragement of the capital goods sector. President Lopez Portillo announced new incentives for the capital goods manufacturers last September and forecast that domestic demand in this area could grow by 18 to 20 per cent a year in real terms over the coming decade. At present rates of development domestic supplies would only increase by 12 per cent a year—leaving a big gap to be met by imports.

Despite his structures the capital goods sector has been growing substantially in recent years. Mexico can now boast, for example, two manufacturers

of drilling rigs and complementary equipment. The first complete offshore platform built in Mexico is already drilling in the Sound of Campeche.

Nacional Financiera, the state development bank, has backed projects to provide the country with heavy castings and forged products, processing equipment for the oil and petrochemical industries, hydraulic and steam turbines, high tension circuit breakers and microwave systems.

Xenophobic rhetoric notwithstanding, the Government is anxious to attract fresh foreign investment—particularly in the capital goods sector.

Under a 1973 Mexicanisation law foreign investment is generally limited to 49 per cent in the case of petrochemicals. But the legislation was not retro-active, so many companies—notably the big car manufacturers—are still 100 per cent foreign-owned.

The Government is also prepared to bend the rules in areas where it is particularly anxious for investment. These have recently been at least two cases of new electronics companies being set up with 100 per cent of the equity held by foreigners.

Attractive

From the viewpoint of the foreign investor Mexico looks an extremely attractive long-term proposition, offering oil, political stability, no exchange controls, full freedom to repatriate profits and dividends and a market of 70m people.

The immediate outlook is less rosy however. Recently announced Government spending cuts will mean a substantial drop in demand—public spending now accounts for about 50 per cent of total investment. And while the devaluation of the peso should theoretically help manufacturing exporters, it will deal a major financial blow to a number of industrial companies which have borrowed heavily in dollars.

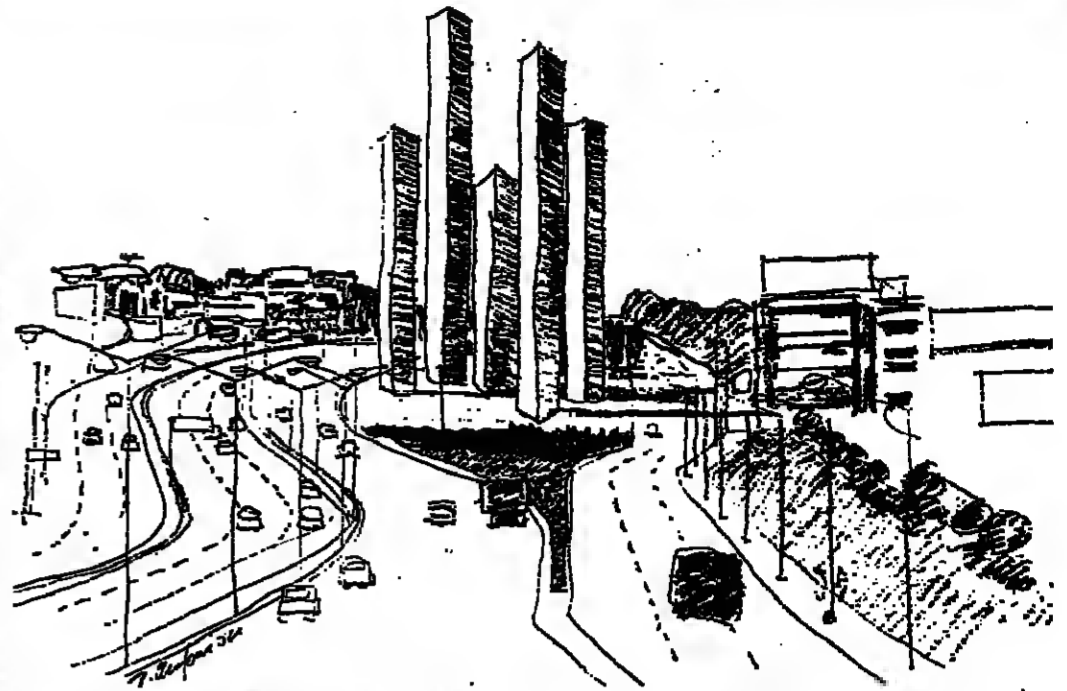
During the coming months investment analysts will be keeping a close watch on wage and price changes, since a rapid upward movement in the wake of devaluation would again start to erode Mexico's labour cost advantage and reduce the

country's revived export competitiveness.

Doubts remain whether Mexican industry will be able to take advantage of its current export advantages. The business community has no strong tradition of exporting—the highly protected home market has offered more attractive profit margins—and it will not be easy to offset now. Furthermore, Mexico's non-membership of GATT makes it easy for competition in the recession-hit U.S.—the main export market—to invoke countervailing duties.

So with a significant drop in domestic demand and major export problems, Mexican industry faces a tough few years—just at a time when substantial new investment, the fruits of the oil boom, is coming on stream.

Martin Dickson



Mexico City houses a heavy concentration of people and wealth. This monument of towers by Matias Georitz marks the entrance to Satellite City, part of the capital's continuing expansion.

Military eye on Central America

MEXICO is modernising and expanding its armed forces in preparation for a possible spillover of the political turbulence in Central America.

The civil war raging in neighbouring Guatemala, not very far from Mexico's major oilfields, is making the country feel vulnerable. Some 2,000 Guatemalan refugees are fleeing across Mexico's southern border every week and into the state of Chiapas. Last month the Right-wing military government in Guatemala stepped up its ruthless counter-insurgency campaign in the Quiché and Peten areas near the Mexican border.

Mexico fears that the Guatemalan guerrillas may set up bases in the Chiapas jungle and that the well-equipped Guatemalan army will pursue them over the border.

Apart from Costa Rica, the tiny Central American democracy which abolished its army in 1949, Mexico is the most poorly defended nation in Latin America, a region dominated by military governments. But this is now changing. Mexico is quickly leaving the cavalry age.

In August the air force will take delivery of the first six of 12 F5 supersonic jet fighters worth \$106m. Last month the

navy received two Gearing class destroyers which are equipped with anti-submarine weapons. The army's cavalry regiments have been re-equipped with armoured cars and jeeps.

The combined strength of Mexico's armed forces is being boosted over the next six years from 120,000 to 220,000. The current strength represents a minute 0.17 per cent of the 70m population. A 4,000 man rapid deployment force is also being prepared for possible use in areas like Chiapas in the event of strife.

But it is not just perceived external threats which are causing Mexico to strengthen its armed forces. The military build-up, albeit comparatively small, is also part of Mexico's ambition to project itself as a Third World power and to demonstrate greater independence of the U.S.

It will be very costly, however, for Mexico to become a military power. This year's defence spending of 43.7bn pesos (\$971m) is still only 2 per cent of the national budget. This is very low by international standards. Last month's devaluation of the peso has made the purchase of military hardware much more expensive.

When Mexico takes delivery

of the F5 jets the air force will not be able to use them effectively until the country has a radar air defence system to warn it of impending attack.

Similarly, the two destroyers are totally inadequate to patrol Mexico's 890,000 square miles of territorial waters. (The UK, by way of comparison, has 270,000 square miles.) They are World War II vintage and rather run down. Mexico bought them both from the U.S. Navy for the giveaway price of \$600,000. A modern offshore patrol boat, half the size, costs \$20m.

Moreover, the rapid deployment force has no back-up equipment or transport of its own. At the moment it has to rely on commandeering trucks belonging to public sector companies like Pemex, the oil concern, which hardly makes for speedy reactions.

But while the main thrust of the Mexican armed forces expansion is towards external defence, this does not mean that the army is reducing its internal security role. The country's 35 military zones conform in most cases to the boundaries of the 32 states. Troublesome states like Guerrero, where there was a guerrilla movement

in 1973 and 1974, have two military zones.

The army is sometimes used as a police force. In 1968 several hundred demonstrating students were killed by soldiers in Mexico City.

In June 1980 there was a clash between landowners, reportedly aided by the army, and peasants on the Bolanchon estate in Chiapas in which a dozen peasants were killed. Liberal bishops still speak out against the involvement of security forces in the repression of peasants occupying land.

However, as far as can be ascertained, the armed forces have played no part in the country's decision-making process since the last military president, Gen Avila Gamacho, left office in 1946.

Nevertheless, there is still a cosy relationship between the top brass and the ruling Institutional Revolutionary Party. The President, who is commander-in-chief of the armed forces, generally has a couple of military men as state governors. The new governor of Yucatan is a general and the PRI's candidate for the governorship of potentially explosive Chiapas is also a military man.

W.D.C.

MEXICO



A PARTNER WITH A FUTURE

...Guest country at Hanover Fair '82.

Mexico—a partner with a future.

MEXICO today stands out as one of the most successful developing economies in the world. During the last three years the growth rate has exceeded 8%.

Hanover '82 will provide an insight into Mexico's present and future potential. At the largest industrial exhibition that Mexico has ever presented abroad, you will have the opportunity to meet the representatives of more than 180 companies and organizations from both the private and the public sectors. Find out about the country's industrial investments and development plans at the Mexico stand in Hall 16.

On approx. 4,000 square metres of exhibition space—right next to ENERGY '82—firms from the following industrial sectors will be represented:

Light and heavy engineering, Steel industry, Electrical engineering and electronics, Telecommunications, Office and data technology, Automobile industry, Petrochemical industry, Building industry, Mechanical engineering, Technology and service industries.

Seminars and symposia will also provide a wide range of useful information:

MEXICO—a partner with a future, Foreign investors and the Mexican tax system, Electrical engineering and electronics, Materials handling and storage technology, Construction machinery and building materials technology, Subcontracting and in-bond industry.

Coupon

Please send us detailed brochure on MEXICO, including a list of exhibitors.

Name _____

Company _____

Address _____

Town _____

Postal code _____



Wednesday, 21st - Wednesday, 28th April

MEXICAN INSTITUTE FOR FOREIGN TRADE
20, 61, Platz der Seidenhandlung 102, 503
Tel. 01-330 6223, Telex 211 216331
Heimtele. 14 5000, Korn 1, W-Germany
102211 21 06 41 42, Telefax 335 1978, Mexico

INSTITUTO MEXICANO DE COMERCIO EXTERIOR

Mexico: a value-for-money tourist country!

MEXICO

...treat yourself to an exciting journey across this land and through its history!

A tourist country par excellence, Mexico is full of discoveries: the mysterious pre-Columbian civilizations... colonial townships... Mexico City, the capital, with its modern buildings, broad avenues, tree-shaded parks and museums housing striking examples of contemporary art as well as fabulous treasures of the past... not forgetting Guadalajara, an up-to-date city that has retained its old-world charm intact. Then there are numerous beach resorts, some of them, like Acapulco, Puerto Vallarta and Cancun, world-renowned; others more unspoiled, with immense expanses of fine sand fringed with tropical vegetation, such as Ixtapa-Zihuatanejo, Carey's, and the beaches of Baja California. You can savour Mexican culinary specialties in a wide range of hotels and restaurants; and everywhere in this hospitable country you'll encounter a welcome as warm as the sun that shines all the year round!

A FAVOURABLE EXCHANGE RATE BRINGS A TRIP TO MEXICO WITHIN MOST PEOPLE'S REACH

Numerous daily flights between Europe and Mexico. Consult your Travel Agent.

SECRETARIA DE TURISMO - CONSEJO NACIONAL DE TURISMO - MEXICO D.F.
DIRECCION GENERAL PARA EUROPA, 34, AV. BOISSE Y 75000 PARIS
MEXICAN TOURIST OFFICE
7 CORK STREET, LONDON W1X 1PR, TEL. 01 734 1254/28

To receive our documentation, complete this coupon and return it to:
Mexican Tourist Office, 7, Cork Street, London W1X 1PR

Name: _____
Address: _____

490 Years Ago Europe Carried Out Her Biggest Enterprise Here in America

In 1942, Europe met the New World and was astounded by its economic, historic and cultural potential and undertook a great enterprise.

In 1982, Merida Industrial Park was established in the heart of Yucatan Peninsula* and provides a new reason for Europe's participation in the New World's progress.

Merida Industrial Park is located between two great areas of development: the most important zone in the country and Cancun, the most progressive tourist centre in the Mexican Caribbean.

Considered by the Mexican Government as a priority zone for development, Merida Industrial Park is provided with all the infrastructure necessary for your industry.

- International airport with connections to Europe, United States, Central America and Mexico.
- Railroad connections with all of Mexico and the USA.
- Natural gas supply plant and gas pipeline.
- Energy, telephone and telex services and abundance of water.
- Low taxes, financial support and industrial protection.
- The cheapest labour in Mexico's south-east.

As an investor looking for an ideal setting to start an industrial venture, you no longer have to start a caravan expedition as you can find out all you need by simply sending us the attached coupon and we will send you all the information you need about this new industrial world.

Send to: Merida Industrial Park
P.O. Box 38P or 190
Merida, Yucatan
Mexico
Att. Mr. Nicolas Urceley

Name: _____
Address: _____
Tel: _____
City: _____ Country: _____
Telex: _____

Merida Industrial Park
A New World For Your Industry

* Yucatan Peninsula — South-East of Mexico

MEXICO IV

Martin Dickson reviews the economy's power base—oil and other mineral resources

Oil exports buck the world trend

THESE ARE testing times for the Mexican oil industry. The worldwide glut of crude has meant tumbling prices and lower than expected earnings for Petroleos Mexicanos (Pemex), the state hydrocarbons company. Mexico's crude oil revenues in 1981 totalled \$13-\$14bn—some \$6bn short of original projections—and 1982 earnings are unlikely to be much higher.

Amid these much more difficult market conditions Pemex has faced a dramatic shake-up in its leadership. Last June Sr Jorge Diaz Serrano, the company's then director-general, was forced to resign—ostensibly over a dispute about oil pricing policy.

The upshot of all these developments is that Pemex, the darling of the Mexican public when times were good, now faces a much cooler and more critical domestic audience. But it can at least point to two strongly positive developments in recent months.

● Mexico's oil exports have continued to rise (except for an unfortunate period last summer when it got its pricing wrong) at a time when most other producers have suffered declining sales volume.

● The country's proven hydrocarbon reserves have been increasing steadily. Last September President José López Portillo announced a 6 per cent rise in proven oil and gas reserves—from 67.8bn barrels to 72bn.

\$4.6bn in 1980 and \$5.5bn in 1981. This year, however, the reduced oil price is likely to dictate a lower rate of expenditure growth, if any.

Mexico, in common with Britain, has been able to keep its oil sales rising at a time of worldwide glut because it is a politically stable, independent producer which does not belong to the Organisation of Petroleum Exporting Countries (Opec). This makes it attractive to buyers wishing to diversify away from volatile Opec supply sources—provided it keeps its prices in line with the market.

This Mexico signally failed to do last summer in an imbroglio which taught this relative novice to the game much about the workings of the international oil market. The drama began in June when Sr Diaz Serrano, faced with a softening market, announced a \$4 barrel cut in prices. This meant that the country's light Isthmus oil dropped from \$38.50 a barrel to \$34.50 and its much heavier and less attractive Maya crude came down from \$32 a barrel to \$28.

Since at this time Mexico insisted that its customers bought oil in the proportions 80 per cent Maya and 20 per cent Isthmus the weighted benchmark price of a barrel fell from \$34.60 to \$30.60.

A political storm ensued.

After several years of rapidly rising oil prices Mexicans found it difficult to adjust to the prospect of a fall and Sr Diaz Serrano was forced to resign. However, political issues totally unconnected with the oil price are widely believed to have been an important factor in his abrupt departure. Until that time Sr Diaz Serrano had been a potential presidential candidate.

His successor at Pemex, Sr Julio Rodolfo Motezuma Cid, tried to defy the market by announcing a \$2 increase in the weighted price to \$32.60 a barrel. The result was a rebuke by customers and a sudden drop in Mexican exports to little more than 450,000 b/d.

Pemex was forced to cave in. Not only did it drop its prices by \$2.50 a barrel for Isthmus and \$1.50 a barrel for Maya but also agreed to give customers a 50/50 per cent mix, allowing them more of the lighter Isthmus oil.

Since those dark days the company has been more careful to keep prices broadly in line with the falling market and customers have come back in strength.

Forced

Pemex exported some 1.2m b/d last month and says the total would have been higher but for the bad weather which prevents loadings at the country's Gulf ports. This compares with an average of about 1m b/d last year. By April it expects exports to be running at over 1.5m b/d.

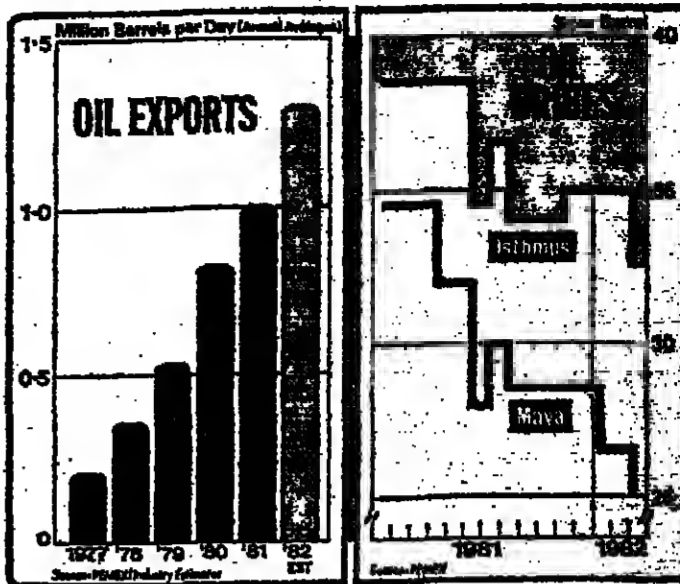
For the year as a whole the aim is to average 1.5m b/d—the ceiling on exports fixed by President López Portillo. Industry analysts believe, however, that the soft market and weather problems could make the company fall some way short of that, perhaps around 1.3m b/d.

Pemex is contracted to sell 1.72m b/d. The figure is higher than the export ceiling because not all customers will be willing or able to take up their full entitlement in any one month.

Despite the loss of one or two clients who find it difficult to handle the heavy Maya crude, Pemex intends to continue for the remainder of this year with a 50/50 mix.

But the longer term aim, says Sr Gilberto Escobedo Villalón, its commercial director, is to bring more light oil on stream, giving the country greater flexibility to vary its offered blend according to market conditions.

As Mexico's oil production has expanded so has its output of natural gas. Some 70 per cent of its gas reserves are estimated to be associated with oil, meaning that they must be produced together, with the gas either flared, which is wasteful, or sold commercially. With the installation of a new gas pipeline to its offshore fields, Pemex



Reserves

With oil accounting for over 50bn barrels of that total, Mexico had the world's fifth biggest proven crude reserves, lying well behind Saudi Arabia (185bn) but close to Kuwait (64bn), the Soviet Union (63bn) and Iran (57bn).

Since then Pemex has unveiled several substantial new discoveries and Sr López Portillo was expected to announce a further big leap in reserves on March 18, the day he traditionally makes a statement on the oil industry.

March 18 is a date charged with emotion for Mexican nationalism since it was on that date in 1938 that the Government took over the foreign oil companies operating in the country and created Pemex, which has grown into one of the biggest of the world's state-owned oil companies, widely noted for its technical expertise.

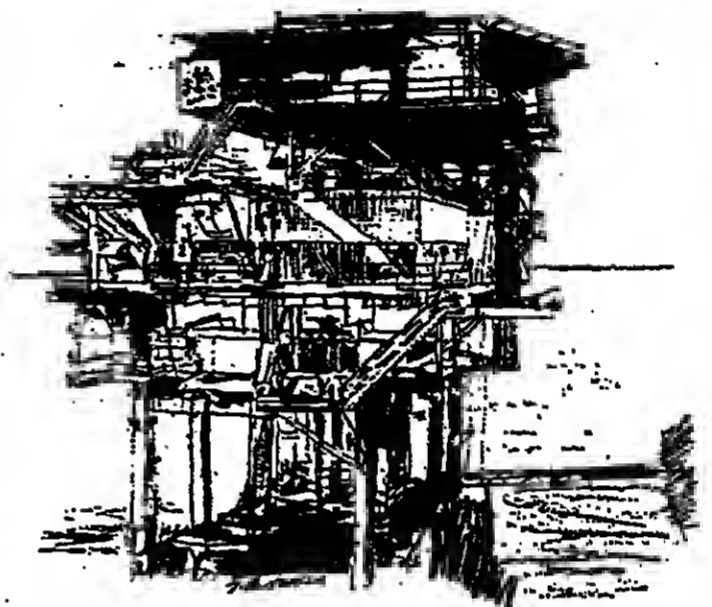
From 1938 until the early 1970s the Government followed a conservative oil policy, largely meeting domestic demand but producing little for the international market.

Matters changed dramatically in the mid-1970s. The 1973-74 quadrupling of the oil price, mounting domestic economic difficulties and some major new discoveries led to a thorough rethinking of oil policy.

In 1976-77 Mexico revealed to the world that its reserves were much higher than previously imagined. The Government determined to use the resource as a major engine of economic growth and set about becoming a significant international trader.

The results have been dramatic. In 1976 Mexico produced 897,000 barrels a day (b/d) and exported only 94,000 b/d. It is now the world's fourth biggest producer. This year output could reach 2.7m b/d and exports are likely to average 1.5m b/d or more.

Capital investment in the oil sector has risen from some \$800m in 1976 to an estimated



Offshore oil platform near Ciudad del Carmen in Tabasco State, one of many feeding the country's oil production



Growing presence in international market

MEXICO'S RAPID emergence as a key element in the international oil supply/demand equation is well illustrated by a simple but telling statistic.

Last year, as the world became glutted with oil, only two major producing countries managed to boost their output significantly. One was Britain, whose production rose 11 per cent, the other Mexico, with an even bigger rise of 19 per cent.

The North Sea and Mexico are the only two major sources of non-Opec, non-Opec oil to have emerged during the past decade. As such they are particularly attractive to companies and countries wishing to diversify their crude purchases and reduce dependence on the Middle East.

So while the glut has forced most Opec producers to reduce exports sharply during the past year, Mexico and Britain have been able to keep sales rising—which has in turn helped make the glut greater and put downward pressure on prices.

With an expected 2.7m barrels a day (b/d) of output this year, Mexico has become the world's fourth largest oil producer. This figure rather overstates its world role, however. It remains a long way behind the leading producers (Saudi Arabia, the U.S. and the Soviet Union), is only a short head in front of several others and accounts for only 4 per cent of total world output.

That said, its huge reserves means that Mexico is going to be of substantial and growing importance in the world oil

balance for many decades to come.

Nowhere is this importance more keenly felt than in the U.S., the world's biggest oil market, where declining domestic production has meant increased reliance on imports from Opec members, notably Saudi Arabia and Nigeria. Supplies from Mexico offer much greater security.

But as in so many other aspects of their prickly relationship, what suits the U.S. does not suit Mexico. In a move aimed particularly at the U.S., the Mexican Government's energy policy spells out that no one country must receive more than 50 per cent of Mexico's hydrocarbon exports.

Customers

During the past few years Mexico has carried out a deliberate and rapid diversification of its oil customers, so that while the volume of sales to the U.S. has continued rising this has represented a declining proportion of Mexico's total sales.

As recently as 1979 the U.S. took 34 per cent of Mexico's 448,000 b/d of exports. Last year the U.S. took some 50 per cent of exports of 1.11m b/d. This year U.S. customers account for 43 per cent of Pemex contracts, with Europe taking about 33 per cent. Recent additions to Mexico's list of customers include British Petroleum, taking 40,000 b/d, and Shell, taking 50,000 b/d. Mexico is also supplying

50,000 b/g to the U.S. strategic oil reserve under a deal concluded last August to sell nearly 110m barrels to the reserve over the next five years. The agreement provoked some sharp protests from Opec producers, notably Saudi Arabia.

Some 65,000 b/d of Mexican exports are going to Central American and Caribbean countries on soft terms under a joint aid agreement reached by Mexico and Venezuela—Latin America's other big exporter—in August 1980. The recipients get a very favourable mix of crude—70 per cent light and 30 per cent heavy, as against a 50/50 blend for other customers—and can defer part of the payment.

One country, however—Honduras—is having difficulty processing the heavy-crude and is not expected to continue liftings. Mexico has been having difficulties of its own during the past six months in getting payment from financially troubled Costa Rica and Nicaragua.

A major Caribbean deal which has long been mooted but never came to fruition is for Mexico to supply Cuba, taking over from the Soviet Union, with the latter replacing Mexico as supplier to Spain, thereby greatly saving transatlantic shipping costs.

Mexico has held fresh talks with all sides but an agreement still seems remote. A basic problem is that the Cubans have very conventional refining capacity which cannot take

Mexico's heavy Maya crude. This makes it difficult for the Cubans to dispose of the 50/50 heavy/light blend the Mexicans are willing to sell them. Nor do they have the hard currency needed to pay.

Strategy

An important aim of the Government's strategy has been to gear crude sales to purchasing countries' contributions to Mexico's development—whether by investment, the transfer of technology or the buying of its non-oil exports. Japan, for example, which has been taking increasing amounts of Mexican crude and investing in numerous projects, including the construction of port facilities on Mexico's west coast.

But in a buyer's market at present, there is little scope for such a policy. As was shown last summer when a major row blew up between Mexico and France after the French oil company had called a contract for 100,000 b/d of crude on grounds of price and quality.

Mexico then said it had decided to exclude French companies from the bidding for some high technology and equipment supply contracts, such as its ambitious nuclear programme and the Mexico City underground railway.

Peace was restored when Opec agreed to resume shipments but the indications are that the Mexicans also had to yield ground before a compromise was possible.

has now cut flaring to a minimum and is commercially producing about 400 cubic feet of gas a day—all but 300 cubic feet of it being used within the country, largely by industry.

The 300m cfd (cu ft = 1000 litres) of exports go to the U.S. and a major question facing Mexico now is whether to increase sales to 600m cfd to compensate financially for the falling price of oil. A doubling of gas exports would bring in an additional \$500m a year.

The Mexicans have begun talks with potential U.S. customers but there remain several hurdles to clear. First is not yet clear whether significant gas will be available, even if there is a new pipeline. It would have to be built on the U.S. side of the border and the whole deal would be subject to approval by U.S. federal regulatory agencies.

Increased gas sales to the U.S. would be a significant departure for the Mexicans. Negotiations for a major gas export deal culminated in acrimony in 1978 and the Mexican Government then pledged that gas reserves would be used primarily for domestic consumption, though it permitted the deal for the 300m cfd to go ahead in 1978.

In the longer term a key question of international relations is whether Mexico will lift its self-imposed 1.5m b/d export ceiling on crude oil.

National energy plans and independent analysts suggest that by the end of the decade Mexico could be capable of producing 7.5m b/d—equal to Saudi Arabia's current output. The indications, however, are that the Government would prefer to keep production much lower—around 4m b/d, with exports not rising much above their present level.

Overall production will certainly have to rise from its current Government-imposed ceiling of 2.75m b/d to one with rapidly increasing domestic demand for oil products.

One of the fastest growth areas is petrol consumption, which has leapt forward by 14 to 15 per cent a year for the past three years—far outstripping Gross Domestic Product growth of around 8 per cent.

Mexico's refineries, which now have capacity for about 1.5m b/d, making the country the 11th biggest refiner in the world, have not been able to keep up with demand and Pemex has had to go abroad. It is, for example, now getting some 150,000 to 250,000 b/d of Maya crude processed by Caribbean refineries and taking back some 70 to 80 per cent of the product for itself.

The Centre for International Briefing
Farnham Castle, Surrey

NEXT TWO-DAY BRIEFING FOR MEXICO—17-19 May 1982

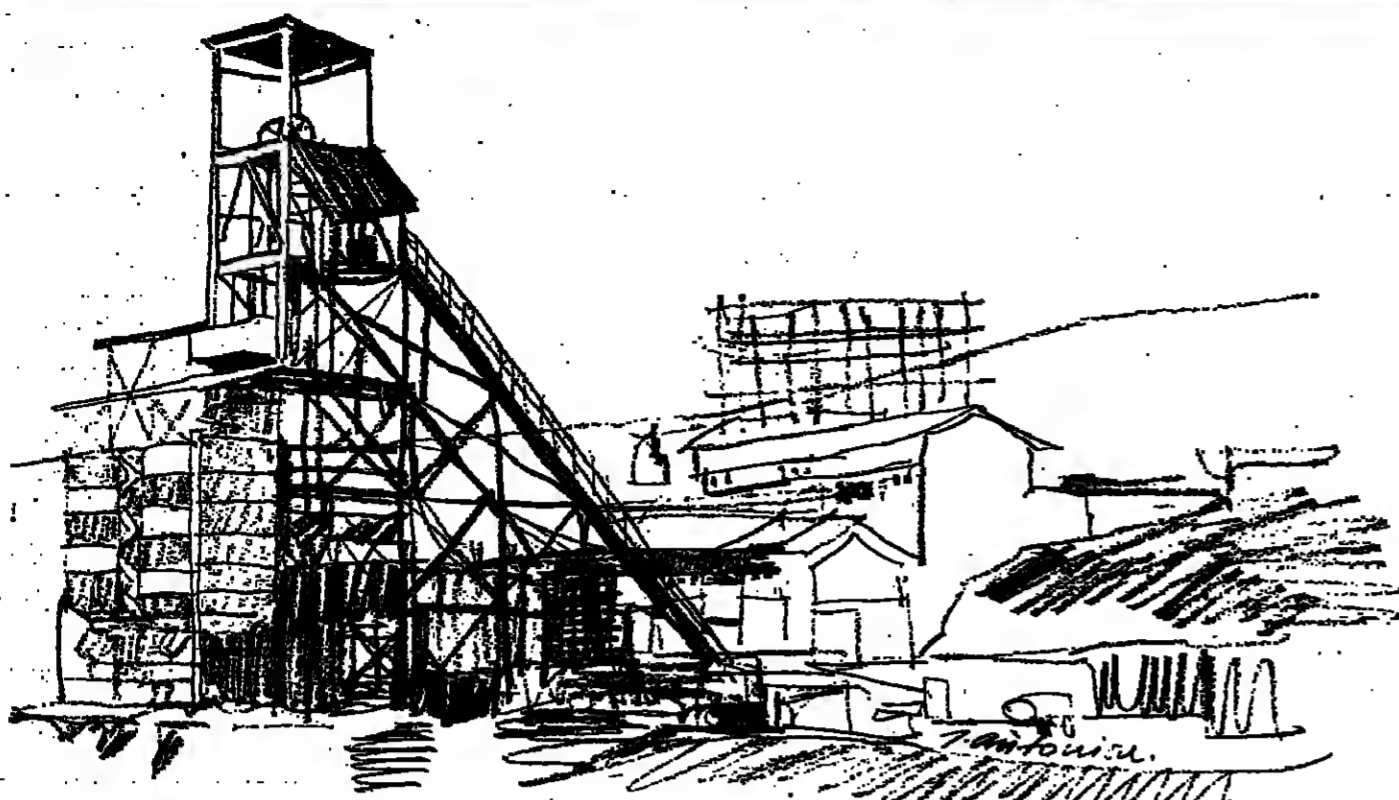
Intensive briefing for both resident expatriates and short-term visitors to prepare them for working and living conditions in Mexico.

CONTENT—The economy and infrastructure, politics and international policies. Working effectively, getting the job done. Attitudes towards expatriates, business and social behaviour. Living conditions, health and leisure.

FEE—£200 inclusive two nights' residence.

CONTACT—The Registrar, Farnham (02475) 741125. Similar briefings for various other countries.

MEXICO V



This mine at Las Torres is one of to-day's representatives of Mexico's centuries-old tradition of silver mining.

Top supplier of silver and many other minerals

SILVER and Mexico have been synonymous ever since the Spanish came seeking wealth in the 16th century; today the country is still the world's leading producer of the metal.

But silver is now only the most dazzling in a wide array of riches which make the country an important international minerals supplier.

Mexico is also the world's leading producer of fluor spar and celestite and it is among the top five countries in the supply of 11 other minerals and ores: graphite, bismuth, mercury, antimony, quartz, arsenic, selenium, sodium sulphate, sulphur, lead, zinc and cadmium. In all it produces over 40 minerals at mines scattered widely across the country.

The sector, which accounts for just over 1 per cent of GDP, has been expanding steadily over the past decade at an average real rate of about 3 per cent. A 5.6 per cent rate of growth was recorded in 1980, however—largely because of the extraordinarily high price of silver in that year when Mexico's total non-oil

mineral earnings reached \$2.3bn. Those heady days have given way to much more sober times as the international recession has led to a slump in mineral demand and prices. The silver prices have now fallen to its lowest level for 24 years.

Mexican production generally increased in 1981 but profits suffered, says one analyst. "The blame can be pinned on the high domestic inflation rate and poor market prices."

The outlook for 1982 is mixed. Production will receive a major boost with the opening of the world's largest open cast silver mine—Real de Angeles in Zacatecas state—but domestic inflation remains high and a recovery in prices depends on the international economic outlook.

Exploration

Against this uncertain background there has been a perceptible slowdown in capital investment over the past 18 months, although exploration continues strongly. Some \$100m altogether will be spent this year by both the public and private sectors in the hunt for new reserves.

The mining industry presents a complicated combination of public, private and mixed companies. Foreign ownership is limited to a maximum of 49 per cent in the private sector and 34 per cent in the mixed sector. The role of the state has expanded markedly over the past decade, with Government companies now accounting for 80 per cent of mining output compared to 20 per cent in 1970.

At the same time the Government has been keen to encourage the development of small and medium-sized private sector mines which tend to be

more labour-intensive, thus helping meet its top economic priority, the creation of new jobs. And it is, employment in the sector has risen from 60,000 in 1960 to 160,000.

There are estimated to be over 15,000 separate mining ventures in the country, involving over 920 companies. But despite this impressive tally, most of the output comes from a handful of major companies.

Important developments under way include the following:

- Silver. The Mexican industry, which currently produces about 50m troy ounces a year, 18 per cent of Western output, could boost the figure to 60m ounces by the mid-1980s.

Output has remained relatively flat in recent years, partly because the soaring price of silver encouraged the working of relatively low-grade ores.

Substantial expansion plans are now under way at several existing mines, however, and the industry will receive a major boost this summer with the opening of the new Real de Angeles mine. When it reaches full production in 1983 it should have an annual output of 7m troy ounces.

The mine is a joint project between Minera Frisco, a large Mexican private sector company (33 per cent), Placer Development of Canada (34 per cent) and Fomento Minero, a Government development agency.

Mexico's biggest silver producer is the Penoles Group, which mine some 15m troy ounces annually and is also an important producer of lead, zinc, copper and fluoroapatite.

A number of other silver mining projects, which could boost output to 70m troy ounces by 1990, are being held back because of low world prices and high interest rates. An excess profits tax slapped on by the

Government during the 1980 boom but removed last year also led to a scaling-down of private sector investment plans.

Mexico's silver production comes mostly from ores containing lead, zinc and copper, as well, so the output of all four tends to be linked. Output of zinc is currently running at about 230,000 tonnes a year, lead at 145,000 tonnes and copper 175,000 tonnes.

Copper production received a substantial boost in 1980 with the opening of Mexican de Cobre's La Caridad mine in the northern state of Sonora.

Overruns

However, the project has been plagued with problems which have placed a question mark over its economics. Cost overruns have been immense and it has still to reach its design capacity. The plant's smelter has yet to be completed and work on a planned refinery has been repeatedly delayed.

● Phosphates. Mexico is becoming a significant phosphates producer through the exploitation of large reserves in the north-western Baja California region. Its first mine, at San Juan de la Costa, came on stream in 1980 with an installed capacity of 720,000 tonnes a year. The operation is being run by Rofomex, a state-owned company which is also responsible for the development of low-grade phosphate deposits at Santo Domingo, also in Baja California.

Santo Domingo should begin operations this year. Production could build up to 4.5m tonnes a year of concentrate, giving the country sufficient output to begin exporting.

● Uranium. A big boost has been given to Mexico's hunt for uranium by the Government's extremely ambitious nuclear power programme—designed to add 20,000 MW of nuclear plant to the generating system.

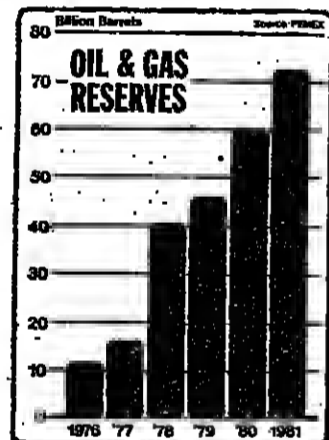
Although this programme could be cut back because of budget constraints, Mexico is scheduled to bring its first nuclear plant—Laguna Verde—into operation in 1984. The first charge for the reactor will come from abroad but Uramex, the state company responsible for finding uranium and exploiting it, expects to provide the second charge from domestic sources.

Although only 10 per cent of the country has yet been explored for uranium, Uramex has enjoyed considerable success. Mexico's economically recoverable reserves are believed to stand at 15,000 tonnes.

The first uranium mining and processing operation—at Los Amoles, in Sonora state—should begin this year and will be able to produce 50 tonnes a year of uranium oxide. Mining operations should begin during the next few years in three other states.

CONTRACTED OIL EXPORTS ('000 barrels a day)

		Per cent share
Brazil	61.2	3.6
Canada	51.0	3.0
Cent America and Caribbean	73.1	4.3
France	103.7	6.1
Israel	78.2	4.6
Italy	51.6	4.8
Japan	139.4	8.2
Philippines	10.2	0.6
Portugal	10.2	0.6
South Korea	20.4	1.2
Spain	215.9	12.7
UK	91.6	5.4
Uruguay	10.2	0.6
U.S.	753.1	44.3
Total	1,700.0	



Search proves abundance of hydrocarbons

TREASURE BEYOND the wildest dreams of any Spanish conquistador lay undiscovered beneath the territory of the ancient Mayan civilisation until only a few years ago.

It was in this area of south-east Mexico that Pemex made some of the most significant world oil discoveries of the 1970s—and is still making major finds.

The Mexican oil industry, founded at the dawn of the 20th century, was traditionally located further up the Gulf Coast, roughly in the region between Tampico and Tuxpan.

Then in 1972 Pemex began making a series of new discoveries in an on-shore area of the south—the Chiapas—Tebasco Mesozoic province commonly known as Reforma. Oil and gas had been found in the area before but never in such quantities.

In 1975 the hunt moved offshore to the Sound of Campeche, just to the north of Reforma, and the finds there rapidly dwarfed all that had gone before.

Drilling rigs and production equipment rapidly moved south and the Campeche-Reforma area now accounts for over 90 per cent of Mexico's output of about 2.3m barrels a day (b/d). Some 1.2m b/d comes from five offshore fields—Cantarell, Abasco, Pol, Cu and Maloco—and a further 900,000 b/d from Reforma.

Pemex geologists are now confident that Campeche/Reforma forms a single geological structure, stretching some

200km from north-east to south-west, with the gravity of the oil generally lightening from north to south. Thus to the north-east of Campeche Sound, oils are found with a very heavy gravity of 15 to 24 degrees API. To the south-west, but still offshore, the gravity runs from 25 to 32 degrees API. The central Reforma field, however, has a gravity of 25-35 degrees API but to the extreme south Pemex has made some extremely light finds—as high as 59 degrees API.

The lighter the oil the higher its value because the refinery is able to make a bigger proportion of high price products—such as petrol—from a barrel.

At present Mexico is producing about 50 per cent of its oil from heavy offshore finds and 50 per cent from lighter ones, both offshore and onshore.

Proportions

But with the oil market slack and customers able to pick and choose, Pemex is working hard to build up its reserves and production of light oil. The hope is that new development drilling in the Campeche Sound and Reforma will give it the capacity to produce 8m b/d by the end of the year, in the proportions 70 per cent light and 30 per cent heavy. But that does not mean that Pemex will necessarily choose to market the oil in these proportions.

In all Pemex plans to drill 73 exploration wells across the country this year and 237 development wells. Although over 80 per cent of Mexico has

yet to be fully explored for hydrocarbons, the four most important areas are:

- Campeche. Estimated to contain some 34bn barrels of the country's proved hydrocarbon reserves—over 40 per cent. Water depths are shallow—60 to 200 ft—keeping development costs relatively low. Wells are extraordinarily productive—rates of 50,000 b/d have been recorded in the largest field, Cantarell.

- Reforma. Some 13bn barrels have been proven in this on-shore cluster of fields, extending over an area of 7,000 square miles. Wells are particularly deep, 15,000 ft or more.

- Chicoutec. This lies in the traditional production area of the Mexican oil industry and Pemex says that Chicoutec is the second most important source of proven hydrocarbon reserves, with some 17.5bn barrels. The area is not a particularly attractive development prospect, however. The wells are shallow but reservoir characteristics are poor and flow rates are low—just 30 to 40 b/d. Pemex estimates that it will have to drill some 14,000 wells over the next decade to develop Chicoutec.

- Sabinas. Located in the north, this is the country's biggest and to date of non-associated natural gas. Over 7,000km cubic ft of dry natural gas have been proved in the area and production is currently running at about 200m cfd. Last year Pemex made a commercial gas find at the northern end of the Gulf of Cortes.

nacional financiera, s.a. is an important Development Bank it's in Mexico!

Established in 1934, Nacional Financiera, S.A. (NAFINSA) is the instrument of the Federal Government of the United Mexican States for financing the economic development of Mexico. As a development bank, NAFINSA has been responsible for financing basic industries, small and medium-sized business, promoting regional industrial projects and tourism. As the financial agent of the government, NAFINSA has

contributed to the consolidation of Mexico's international credit standing. Our coinvestment trust funds with banks in England, France, Italy, Germany, Spain, Japan, Norway, Canada, Switzerland and Israel, identify new investment opportunities in Mexico and promote joint ventures. Promoting industry in Mexico is our business.



nacional financiera, s. a.

Isabel la Católica No. 51
Cable: NAFIN

México 1, D. F. (México)
Telex: 017-72-538 (NAFINMEX)



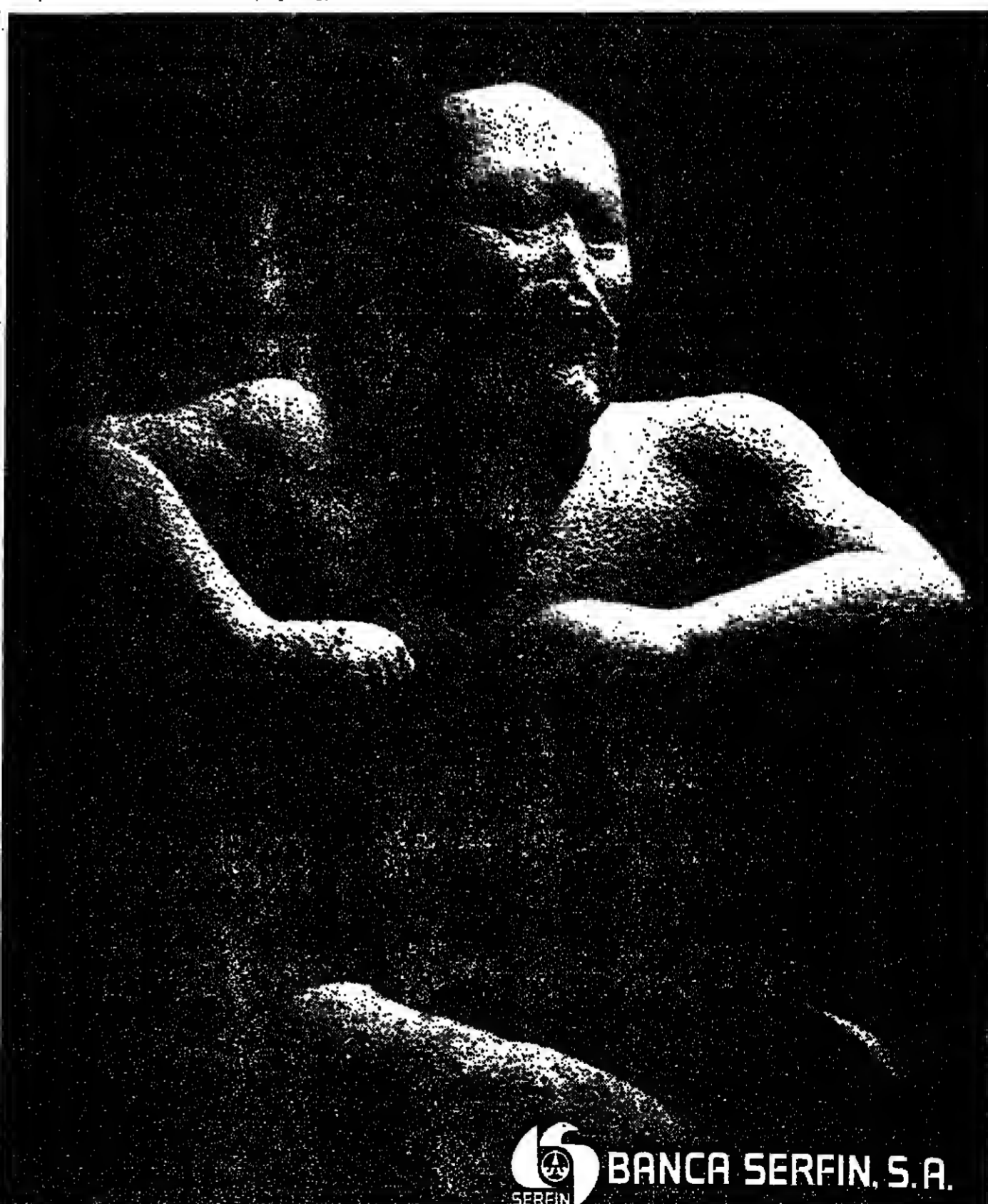
New York
450 Park Avenue
suite 401
New York, N. Y. 10022

Washington, D.C.
1120 Connecticut Avenue
suite 1140
Bender building
Washington, D.C. 20036

England
Seventeenth Floor
Ninety Nine Bishopsgate
London EC2M-3XD
England

Japan
Kokusai building 918
1-1 Marunouchi 3 chome
Chiyoda-ku
Tokyo 100, Japan

C.N.B. 6014-1993



BANCA SERFIN, S.A.

Olimex wrestler, 300 B.C.

A recognized force in international finance... Banca Serfin

We wrote our first export financing in 1864. Soon we were recognized as creative bankers, not only in foreign trade, but in international investment as well. Indeed, as the Banco de Londres y Mexico, we introduced many banking services now taken for granted.

Five years ago we became Banca Serfin—for Servicios Financieros Integrados—a new form of organization.

offering a broad range of financial services. We can provide the vital financial services your organization requires. Including direct introduction to Mexico's top corporate markets. Uncovering co-investment opportunities. Arranging syndicated loans. Financing trade. With over US\$5 billion in assets, we have the strength to help you. And a wealth of experience to share with you.

México 1, D.F.: 16 de Septiembre 38 585-7222. TWX: 177130 SERFME London EC2N 1BE: 77 London Wall. 628-8611. TWX: 986873 SERFLD (Licensed Deposit Taker) New York NY 10005: Wall Street Plaza, 88 Pine Street. 635-2300. TWX: 226500 SERNY Los Angeles CA 90017: One Wilshire Building. 667-6610. TWX: 673400 SERFLA

MEXICO VI

A FINANCIAL TIMES SURVEY

LATIN AMERICAN SURVEYS 1982

Publication Date 1982	Survey
May 7	Venezuela
May 12	Latin American Insurance
June 29	Latin American Banking and Finance
July 26	Panama
October 6	Peru
November 30	Brazil
December 15	Andean Pact

Date to be advised

Latin American Energy

For details of these Surveys, and for advertising rates, please contact:

RICHARD OLIVER or HELEN LEES

Financial Times, Bracken House

10 Cannon Street, London EC4P 4BY

Telephone: 01-248 8000 Telex: 855033 FINTIM G

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

The contents, style and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor

Foreign policy obsessively focused on neighbouring U.S.

ANY DOUBTS about why Mexico's foreign policy is so intensely nationalistic and obsessively focused on its neighbour, the U.S., should be cleared by the new National Museum of Interventions. Housed in the 16th century convent of Churubusco in Mexico City, the museum relates with the aid of documents, photographs and weapons the long and bitter history of U.S.-Mexico entanglements.

Mexico was long under the rule of Spain and after it gained independence from Madrid, was occupied by France for five years in the mid-19th century. But the U.S. is the number one villain in the museum, which is said to be the only one of its kind in the West.

The U.S. took away half of Mexico's territory in 1848 and marines occupied the port of Veracruz in 1914. U.S. and other foreign interests dominated the Mexican oil industry until it was nationalised in 1938. Even today Mexicans are still suspicious of the "colossus to the north". Children are taught to be wary of Uncle Sam. They are flocking to the museum in droves.

One quote from a U.S. mining publication of 70 years ago which appears on the wall of the museum says: "Mexico should be U.S. territory and its inhabitants U.S. citizens." The U.S. had its eye on Mexico's mineral wealth.

Mexico's foreign policy cannot be fully understood without reference to the past. More than most countries, Mexico's policy has been moulded by history—and the museum is making sure that nobody forgets the past.

Emboldened

Emboldened by its oil wealth, Mexico feels that it can now afford to cock a snook at the U.S. It is fair to say that up until the López Portillo administration, Mexico, despite its grievances with the U.S., still looked over its shoulder at how Washington would react to its policies.

The U.S. is Mexico's largest trading partner and also the magnet for millions of poor Mexicans fleeing the country's poverty in search of work. Mexico is the U.S.'s third biggest overseas market and the source of 5 per cent of its oil needs—with the potential to supply a great deal more.

It is now putting this belief into practice.

The irony is that U.S.-Mexico relations are better now than they have been in a long time, despite Mexico's denunciation of Washington's policy in turbulent Central America of backing Right-wing military governments. The two countries have "agreed to disagree" over Central America. It remains to be seen for how long the major differences will last before they affect the bilateral relationship between them.

President José López Portillo and President Reagan have the same kind of close personal relationship which Giscard d'Estaing, the former French president, and Chancellor Schmidt of West Germany had. This friendship is the product of the belief by both Sr López Portillo and Mr Reagan that it is in the best interests of both countries to put the relationship on solid ground, since there are so many conflicting interests.

Mr Reagan has gone out of his way to show deference to Mexico—unlike Mr Carter, whose rather patronising, though well-meaning approach infuriated Mexican officials. Mr Carter has still not been forgiven for the gaffe he made at a state dinner in 1979 when he announced that he once had Montezuma's revenge (diarrhoea) as a young man in Mexico.

Mr Reagan attended the North-South summit, hosted by Mexico last year in Cancun, against the wishes of his advisers because he did not wish to offend his neighbour.

The summit, which brought together 22 world leaders from rich and poor nations, showed that Mexico plans an increasingly active role in Third World politics.

Central America is Mexico's

main priority. It fiercely opposes Washington's policy of supporting right-wing military dictatorships in the face of popular revolutions. It has offered itself as an intermediary to promote negotiations to bring peace to the region, emphasising a number of differences in approach.

Whereas the U.S. is arming the junta in El Salvador and is pushing for elections on March 28, Mexico supports the left-wing rebels and has repeatedly called for a negotiated political settlement to end the civil war.

Whereas the U.S. has cut off aid to the left-wing Nicaraguan Government and has threatened to intervene militarily if the Sandinistas do not stop their alleged arms shipments to El Salvador, Mexico is Nicaragua's main aid donor and staunch ally.

Whereas Washington wants to renew military aid to the right-wing military government in Guatemala so that it can defeat the insurgents, Mexico is quietly establishing contacts with the rebels.

Mexico believes that Washington's policy of viewing Central America's unrest through the optic of East-West relations is shortsighted. The Government argues that the U.S. should concentrate more on the dire social and economic problems which are at the root of the violence in the region. Mexico is doing this and supplying Central America with oil on concessionary terms.

Foreign policy in Mexico has traditionally been much more liberal than the conservative domestic politics of the Institutional Revolutionary Party which has ruled Mexico for 63 years. The current radical approach helps to fend off Left-wing criticism at home.

But in the case of Central America, which Mexican officials like to point out is as much their backyard as the U.S.'s, there is not much

posturing. "We are really afraid that the mistakes of 20 years ago will be repeated," said a senior Foreign Ministry official, referring to the U.S. blockade of Cuba. Mexico enjoys excellent relations with Cuba and contends that the U.S.'s aggressive attitude towards Nicaragua could push the country, like Cuba, into the Soviet camp.

Mexico is encouraging the formation of populist and nationalist governments in Central America in the belief that this is the way to stop the area falling into Communist hands.

State Department officials in Washington, exasperated by Mexico's policy, believe that the country is playing with fire. In their view the revolutionary bog will eventually creep up the spine of Central America and into Mexico and its oilfields.

Mexican officials, on the other hand, believe that it is counter-productive for the U.S. to act against what they call "the course of history."

It should not be forgotten that Mexico had its revolution in 1910. While there are still a great many injustices in the country, Mexican society is not essentially feudal or repressive in the way that it is in El Salvador and Guatemala.

Many observers believe that the acid test of Mexico's foreign policy towards Central America will come when the country's southern neighbour, Guatemala, erupts into revolution—as seems likely to happen.

Will Mexico support the rebels fighting on its doorstep? So far, its support for the Guatemalan insurgents has been low key. This, say officials, is because the Guatemalan opposition has been splintered for a long time and it is therefore difficult to establish firm contacts.

Efforts are now being made, however, to form the first united opposition front. Mexico is watching the moves with great interest.

European Surveys in the FT

The following surveys on European countries are scheduled to appear over the next few weeks.

Italy

The need to carry out long-overdue economic adjustments and a possible shift in the political balance of power make this a significant year. There are signs of a new mood of determination.

Portugal

Membership of the EEC is still the main target. Will its leaders achieve favourable terms, given the economy's lack of consistent growth?

South Germany

The region comprising Bavaria and Baden-Wuerttemberg, both states with a long record of sound economic growth and successful in their efforts to attract high technology industries.

Ireland

Another change of government puts the country's two main problems of a faltering economy and its relations with the North back into the melting pot.



Tapering into the isthmus linking the two Americas, Mexico has the superpower U.S. to the north and the politically turbulent Central American republics to the south.

Devaluation has put a stop to lavish tourist spending abroad

Hopes of end to tourism deficit

MIDDLE-CLASS Mexicans, who have been voting with their air tickets and pouring into the U.S. for holidays and spending sprees, were dealt a severe blow by last month's devaluation of the peso. The cost of a holiday in the U.S. shot up by 40 per cent.

For the past year Mexicans have been taking advantage of the over-valued peso to stream over the 2,000-mile border between the two countries in search of fun, cheap consumer goods, and property. Mexico's increasingly affluent middle-class, whose standard of living has been significantly raised by the country's oil boom, joked that the best buy in Mexico last year was the dollar.

One representative of a major U.S. bank said that he used to receive calls from rich Mexican clients asking whether there was any limit on the number of flats you could buy in the U.S. These people were buying flats at \$20,000 a throw and thought nothing about buying a couple," he said.

tourist industry should now get itself back into a more competitive position.

The country has great tourist attractions, from deserted beaches on the Pacific coast to spectacular Mayan ruins in the Yucatan peninsula. In addition, there is now an extra reason for visiting the polluted, congested capital, Mexico City (population 14m) apart from seeing the famous anthropological museum.

The 18th and 19th century buildings behind the National Palace in the Zocalo (main

Week-end

It was well known that a Mexican could have a week's holiday in Las Vegas, Nevada, including air fare for less than a long weekend in the local resort of Acapulco—provided he didn't lose at the gambling tables.

Preliminary figures from the U.S. Commerce Department reveal that for the first time Mexican tourists spent more per head in the U.S. in 1981 than any other nationals. Mexicans spent an average \$983, \$72 more per head than their nearest rivals, the Venezuelans.

The result was that 1981 was a black year for Mexico's tourism industry, which is a crucial foreign exchange earner and a major employer. Moreover, but for the devaluation, which is now making Mexicans think twice about taking a holiday abroad, the traditional tourism surplus would have swung into an unthinkable deficit this year.

According to Banamex, the second largest commercial bank in Mexico, 3.8m Mexicans spent their holidays abroad last year, a 20 per cent increase. On the other hand, the number of foreign visitors to Mexico in 1981 dropped by 4 per cent to 4m because of high prices and recession in the U.S. Mexico's main catchment area.

But whereas expenditure by foreign tourists in Mexico went up by a mere 4.7 per cent in 1981 to \$1.75bn, Mexican expenditure abroad increased by a massive 52 per cent to \$1.04bn. Banamex estimates that the tourism balance last year plummeted 67 per cent to \$214m.

Even if short border crossings are included in the tourism account the picture is just as bleak. Mexicans spent \$4.6bn, a hefty 51 per cent increase, visiting places like San Diego, California, and Houston, Texas, for an afternoon's shopping. American citizens visiting Tijuana for an afternoon at the bullring increased their expenditure by only 28 per cent to \$4.7bn.

As a result the overall surplus on the tourism account plunged by 75.5 per cent to \$368m. The



The resort of Acapulco draws an endless stream of American tourists seeking sun and entertainment. Strolling musicians (inset) are a feature of the tourist scene.

If the Government allows hotel operators, many of whom have a dollar mentality, to get away with increasing prices by the amount of the devaluation then its good effects on the tourist industry will be quickly wiped out.

Banamex carried out a survey a year ago in 12 Mexican resorts and 57 in the U.S. and found that Mexican prices for a basket of tourist services (hotel, food and car rental) were eight per cent higher than in the U.S. Similar surveys carried out in 1977 and 1979 showed positive differentials in favour of Mexico of 45 and 28 per cent respectively.

Provided prices are not allowed to spiral, Mexico's



FINDING FINANCIAL SOLUTIONS IN MEXICO FOR A FOOD EXTRACTOR IN GREAT BRITAIN: BANCO NACIONAL DE MEXICO

A major British processor of extracts and flavorings found a plentiful supply of quality fruit in an agricultural development in a remote part of Mexico. An immediate transfer of funds was required to reserve the crop for delivery.

Not surprisingly, the company looked to Banco Nacional de Mexico for a total financial package, including low cost financing, that enabled the sale to take place without delay. The client could continue production in the United Kingdom



From Mexico to the U.K., Banamex delivered a financial package that provided the solution.

without any interruption.

Once again, Banco Nacional de Mexico responded with thoroughness and authority, as we have since 1984.

With 1981 year-end assets equivalent to more than 15 billion U.S. dollars, over 600 domestic offices and a correspondent network covering virtually the entire globe, Banamex offers the full international service capabilities you would rightly expect of a world class bank. And more.

We find solutions.



Banco Nacional de México A PRIVATE BANKING INSTITUTION

Main Office: 100000 Mexico City, D.F. Tel: 52-55-550000 Telex: 520000 BNMEX MEXICO. London: 1000000 London, W1P 8JL. Tel: 01-248 8000 Telex: 855033 FINTIM G. New York: 1000000 New York, N.Y. 10020 U.S.A. Tel: 212-850-8000 Telex: 855033 FINTIM G. Paris: 1000000 Paris, France. Tel: 01-42 60 60 00 Telex: 855033 FINTIM G. Tokyo: 1000000 Tokyo, Japan. Tel: 03-3562 1000 Telex: 855033 FINTIM G. For further information, contact Banco Nacional de Mexico, S.A., Special Marketing Services, APDO Postal 83-Bis, 66000 Mexico, D.F. CMB-601 11-775

مكتبة المجلدات

While Stone Platt has collapsed in one area of textile machinery, Mark Webster finds optimism in another at two buy-outs from Sears

Painful trimming lays the ground for recovery

CYRIL ATKINSON decided more than two years ago that he might have to buy up the troubled knitting machine business of which he was managing director if he was to save it from closure.

He got his chance recently when the parent company, Sears Holdings, offered the Loughborough-based William Cotton group to its management in one of two management buy-outs.

Atkinson jumped at the chance because he believed that after three years of losses, Cotton was about to turn the corner and show a profit this year.

He had feared that Sears would sell both Cotton and its sister company, Bentley Engineering, in Leicester (the other buy-out) to try to stem the haemorrhage of funds from its engineering division.

The textile machine making companies represented a substantial part of Sears engineering interests and contributed the bulk of the division's pre-tax losses which amounted to £15.7m in 1979 and 1980 and are expected to have been £3m to £4m in 1981.

The losses were the main reason for the sale of the two companies but Sears argued that it felt no crisis of confidence in their future.

Sears' overriding interests are in retailing, footwear, heating and property and it felt that the textile machinery business did not fit its profile as a High Street trader.

The group said it had invested a considerable amount of money in the textile machinery business but had not

seen any return. The sale to the management teams meant a £15m loss for Sears on the book value of the assets.

But at William Cotton the management is anxious to dispel any doubts about the future of the company. Atkinson, a bouncy 48-year-old, says the company took £250,000 in orders during its first week under the new management.

Even though Atkinson and two fellow directors mortgaged themselves up to the hilt to secure their 55 per cent equity stake in the company they are brimming with enthusiasm.

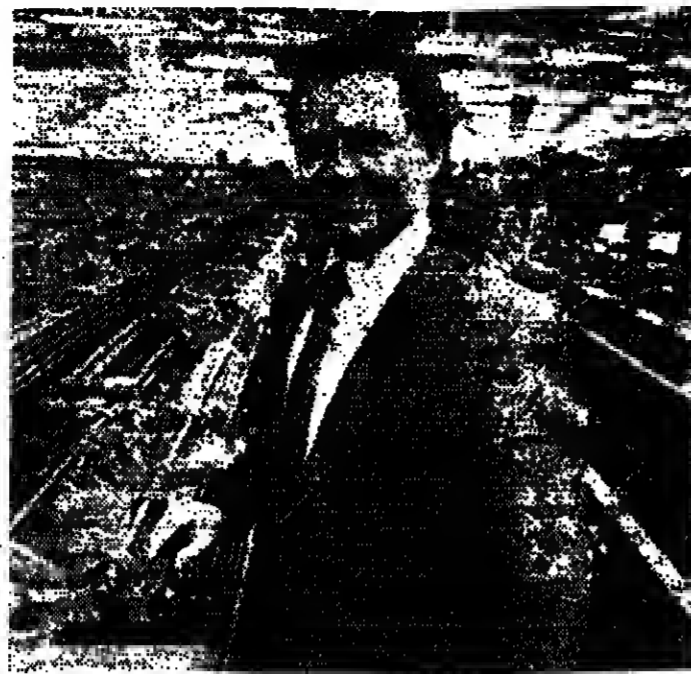
"It was not a decision taken speedily. We have a good financial base and the long term forecasts were examined by all the partners," says Atkinson. He also says that the collapse of Stone Platt last week does not alter his optimism for the future since it is in a totally different field within textile machinery, so "nothing has really changed."

When Sears came round to the idea of a management buy-out a year ago, Atkinson and his partners had already prepared much of the ground.

The Industrial and Commercial Finance Corporation, which has been very active in management buy-outs, advised the team and concluded that a buy-out of Cotton's share equity would be the best course to take.

The company has been valued at more than £2.6m and management has made bullish sales forecasts that turnover will reach £10.9m this year compared with £7m in 1981.

William Cotton expects to show its first, modest profit this



Cyril Atkinson: £250,000 of orders in his first week

year after three years of losses by increasing sales and sharply reducing overheads. Sears has kept the 28-acre greenfield site which joins the factory to the nearby industrial estate and has held on to the factory building itself. Cotton will lease just over half of the 300,000 sq ft works while the remainder will be rented by Sears to other concerns.

The key question is why the new management reckons it can make the business pay when Sears clearly wished to pull out. Atkinson believes that the painful period of trimming which went on during the recession has left the company much healthier. It is also armed with a range of new products, a position which makes it something of an exception in view of a NEDO report on the industry (see column 5). At the same time, free of group restrictions, the company can speed the decision-making process and, it hopes, be more

responsive to its market.

The base for future growth was laid by Sir Monty Finnieston when he became chairman of Sears Engineering in 1977. During the boom years of the 1960s little money was ploughed back into developing new lines. As a result, European competitors increasingly took the lead in innovation. When Cotton's market in fully-fashioned knitting machines (acknowledged then as brand leaders) collapsed, there were no other lines to fall back on.

Sir Monty began a programme of selective purchasing of European companies and concepts which Cotton could develop. Atkinson was brought in from British Northrop, another textile machinery manufacturer, to lead a rejuvenated management team. During the four-year period of the change, the group was investing more than £500,000 a year on new products.

With the mixture of excitement and nervousness of a man about to propose, Atkinson explained that although the fully-fashioned machines—which knit shaped pieces—will remain the company's "bread and butter," the new range should provide the jam. The company will produce flat bed knitting machines with microprocessor control which knits unshaped lengths of material but allows easier pattern changes; new miniaturised fully-fashioned machines with microprocessor control and a revolutionary weaving machine with a moving drum instead of the traditional shuttle.

The company has grown to depend more and more on exports for its survival and 85 per cent of sales are now abroad.

"Now we have to maintain and build up our order book. We are not at all concerned with our ability to produce the goods. And we must also build the image of William Cotton. We've already got a good reputation in fully-fashioned but to build it up in the new areas could be the hardest task. No one wants to be the guinea pig," Atkinson remarks.

An industry in decline

WILEY William Cotton and Bentley Engineering have, with difficulty, weathered the storms of the past decade in the knitting machine manufacturing industry. Many others have not survived. A rough reckoning by one industry expert shows that of the 26 manufacturers in the world making one specific type of knitting machine in 1976, only six are alive today.

A report by the National Economic Development Council's working party on the textile machine industry showed that output in real terms had declined more than in any other engineering sector since 1975.

Employment in the industry fell from 47,000 in 1970 to a provisional estimate of less than 20,000 in 1980. Britain also lost out to its foreign competitors in the vital export market with its share of total OECD exports shrinking from 13.9 per cent in 1970 to 8.4 per cent in 1979.

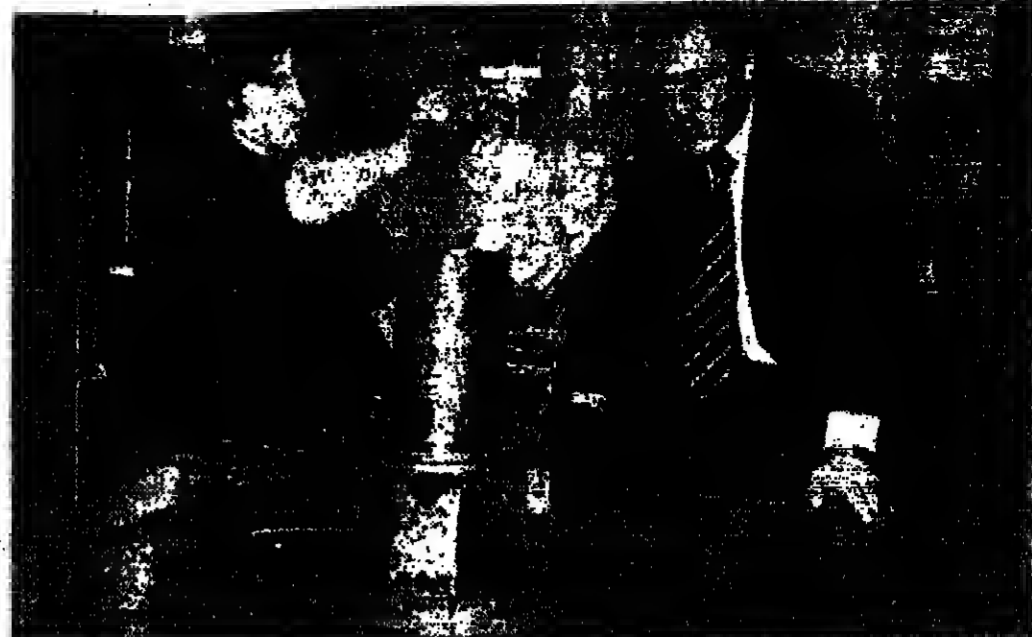
The basic reasons for the decline are those common to many other sectors of British industry. Despite boom conditions in the 1950s and 1960s, little was reinvested in research and development so that British companies began to fall behind to the world market. Foreign competitors offered cheaper machines and delivered them on time.

When the boom came to an abrupt end in the mid-1970s, the industry faced a painful period of readjustment. It was hit at one time by global recession, changing fashions and increasing foreign competition, which forced many factories to close.

The two companies in the buy-out argue that their recent moves to trim overheads, rationalise factory use and product range, cut staff numbers and introduce new machines are enough to secure their future. All they need now, they say, is to fill their order books.

But it is on that score that one independent observer of the industry has his biggest doubts, not just about William Cotton and Bentley/Wildt-Mellon-Bromley, but about the handful of textile knitting machine manufacturers left in Britain.

"I believe they have the right product range. The question is whether they will get on and sell it. At the moment, I have the impression that the Germans, the Swiss and the French are getting out and about in the market much more," he says.



Derek Gwynne: Sears snapped up his idea and offered it back to him

Putting the best foot forward

BENTLEY Engineering's energetic sales manager, Tommy Littleton, likes to put things bluntly. "We'd put everything into double jersey and it fell off a cliff," he says unsmilingly. Since the heady days of the great knitwear boom in the 1960s, the Leicester-based Bentley Engineering and the company with which it has now merged, Wildt-Mellon-Bromley, have been through traumatic times.

The staff of the two companies has dropped from 5,500 to 1,150 as the recession has bitten deeper and the handsome profits of the boom years have crumbled into persistent losses.

Eighteen months ago, Sears agreed to a plan put forward by Derek Gwynne, the 57-year-old managing director, to merge the two, rationalise their production and make a dramatic reduction in factory overheads.

He little thought then that the plan would form the basis of a single company which he and three colleagues would buy from Sears. Unlike William Cotton, the management had not considered the idea of a management buy-out until Sears—largely inspired by what was happening at Cotton—approached them in October last year.

Gwynne and his colleagues are convinced that the work they were doing for Sears in rationalising the two companies will see its first fruits this year. "Not large enough profits, but profits," says Gwynne. From then on, thanks to the £3m which has been invested in the

last four years on new machine tools, the company should become increasingly profitable, he argues.

Of the Stone Platt collapse, Littleton remarks that while it is "a terrible thing to happen" it will have no impact on Bentley. "There is no direct relationship between us," he says, illustrating the difference with the analogy that "if they were making motor cars we would be making plant for processing petrol."

Bentley and Wildt-Mellon-Bromley were considered natural bed-fellows by the management team. Bentley makes small diameter, circular knitting machines for socks and hosiery while its sister company has a range of larger diameter circular machines which produce a continuous knitted tunnel of material for cutting up into jumpers, skirts and sweat-shirts.

Under the merger agreement, one machine shop and one assembly shop in two separate factories have been established compared with the four shops the two companies have used in the past. The amalgamation of departments is also taking place covering research and development, accounts and sales—which should reduce the company's labour costs.

The new management team is convinced that Sears decided to offload its textile machinery interests because they did not fit in with the overall group interests and not because they had no future. "I think it has turned out to be a very opportune time for us to have acquired the company

because the reorganisation we proposed to do on behalf of Sears is now complete. With the new products we have been designing over the past two or three years coming out shortly we will be turning the corner," he concludes.

But beneath the bluff confidence about the future, there is an understandable nervousness among the management team who stretched their personal resources to the limit to buy their share in the business. The Industrial and Commercial Finance Corporation which also assisted William Cotton helped the team with their purchase of the assets. Sears wanted an assets rather than shares buy-out in the case of Bentley because of the additional tax relief it will get. Sears still owns the factories and will be leasing them to Bentley.

The new management refuses to say how much it paid for the company. But as Gwynne says: "It's not every day you do a management buy-out on a company with a £17m turnover." Littleton says the company had a six-month order book and he is confident that the budgeted £17m turnover figure for 1982 will be reached.

The management's confidence rests partly on the fact that sock and hose machines sales have stabilised but also because it will be bringing new developments onto the market soon. "There are developments afoot in sock machines," says a secretive Littleton. The company is also working on all-purpose machines which will not become obsolete when fashions change.



CAD82

In your business, computer-aided design can mean increased designer productivity, shorter design cycle times and improved product quality. Whatever you design—buildings, engineering plant, electronic components, mechanical parts—you will find what you need at CAD82.

Brighton Metropole Hotel
Brighton, Sussex
March 30—April 1, 1982
10.00—18.00 daily
(closing at 17.00 on the last day)

CAD82 is sponsored by the journal, Computer-Aided Design, Butterworth Scientific Ltd, and organised by IPC Exhibitions Ltd.



MAI computers


Black Arrow House
Chandos Road, London NW10 6NF
Tel: 01-955 9701



IDEA

Get the Soundbite
Call Industrial Units

This announcement appears as a matter of record only.



SHV

SHV Holdings N.V.

US \$ 150,000,000

medium term loan


arranged by
Amsterdam-Rotterdam Bank N.V.

provided by
Amsterdam-Rotterdam Bank N.V.
Bank of America NT and SA
Citibank NA Amsterdam
Commerzbank Aktiengesellschaft
Continental Illinois National Bank & Trust Company of Chicago
Crédit Lyonnais
International Westminster Bank Limited
Lloyds Bank International Limited
Amsterdam Branch
Midland Bank Limited
Union Bank of Switzerland.

agent
Amsterdam-Rotterdam Bank N.V.

December, 1981.

This announcement appears as a matter of record only.



Inter-American Development Bank

Dfls 100,000,000


Fixed Rate Term Loan

managed by
Algemene Bank Nederland N.V.

provided by
Algemene Bank Nederland N.V.
Amsterdam-Rotterdam Bank N.V.
Nederlandsche Middenstandsbank N.V.

February, 1982

This announcement appears as a matter of record only.



Republic of Finland

Dfls 100,000,000

Fixed Rate Term Loan

managed by
Algemene Bank Nederland N.V.

provided by
Algemene Bank Nederland N.V.
Bank Mees & Hope NV

February, 1982

How a nightmare was ended

By Nick Garnett, Northern Correspondent

Rescues and receivers

BRITAIN'S CLEARING banks must feel that they have no friends left. Regularly attacked for their high profits, they now find themselves charged with shortsighted behaviour by calling in a receiver at Stone-Platt Industries, the textile machinery and engineering group.

Although the banks have sometimes been criticised in this column, we do not believe that they are at fault on this occasion or that the receivership is symptomatic of a deep flaw in the relationship between the City and industry.

Risk
Stone-Platt's financial difficulties became apparent two years ago: at that time the banks agreed to rescind their loans. As in several other "rescue" cases, banks and institutions worked together with the encouragement of the Bank of England to see whether the business could be put on a sound footing. The result, in March of last year, was a financial reconstruction together with a change in management. Prospects of full recovery were far from certain, but banks and shareholders felt the risk was worth taking.

As it turned out, the company was hit by a drastic fall in demand in the main textile machinery division. Platt Saco Lowell, as the financial position deteriorated towards the end of last year, management decided to sell PSL, closure of the division would have involved write-offs and redundancy costs which would have sunk the whole company. Eventually an American buyer agreed to pay a modest price: the sale formed part of an attempted reconstruction which finally proved unworkable last week.

The dispute between banks and institutions concerned the financial consequences of the sale and the viability of the remaining business. As the banks saw it, the sale removed much of the security for their loans. Their net exposure to Stone-Platt would increase. They were being asked to shoulder a bigger burden in order to preserve a company whose condition, even after the reconstruction, would be fragile.

Disposal
The institutions argued that it was far too soon after the 1981 rescue for the banks to pull out and that the new management should be given more time. But they themselves were not willing to put in new equity immediately.

The institutions stood to lose a lot of money if Stone-Platt failed. But the risk to the banks, which had been supporting the company for two years, was also very substantial. From their point of view a receivership leading to an orderly disposal of the business was the logical course.

It is not obvious that another reconstruction to keep Stone-Platt afloat would have been the best solution in industrial terms. Receivership may turn out to be a more constructive way of redeploying the assets and placing them in stronger hands.

In public relations terms the banks should have handled the Stone-Platt affair with more aplomb, but the divergence of view between them and the institutions is not a disaster for the City. It is unfortunate that what had seemed a good example of constructive City intervention, followed by vigorous action on the part of the new management, should not in the end have succeeded. Both banks and institutions are under political pressure to show their concern for the long-term needs of industry and this may explain the bitterness of the recriminations over Stone-Platt. But it is the only failure of its kind so far: other rescue operations seem to be turning out well.

There is no reason why the Stone-Platt case should discourage similar co-operative efforts in the future, as long as both sides recognise that their interests will not always coincide.

Enough
The need to take a long-term view cannot stop the banks from deciding, in particular cases, that enough is enough. In any case, the main weakness of the banks' lending policies has not been the lack of long-term perspective, but the failure to be sufficiently critical; in their eagerness to lend they have not looked hard enough at how the customer's business is run and whether the management's plans are realistic. It is on this subject — the appraisal and monitoring of management — where banks and institutions have a common interest and to some extent a shared responsibility. The aim must be to take corrective action before, not after, the kind of crisis that overtook Stone-Platt two years ago.

Future of the French franc
THE TRIALS of the French franc are a reminder of the doubts which hung over the European Monetary System when it was founded three years ago. The inherent strength of the German currency, the inflationary gap between West Germany and France, and German determination not to allow the EMS to undermine the Bundesbank's monetary discipline, all suggested in early 1979 that the new experiment might prove short-lived.

But the sceptics were confounded. The D-mark lost its gloss as the second oil shock struck and the West German current account deficit mounted to an unprecedented level. The Council Government impressed the markets with its commitment to a strong franc. And despite diverging inflation rates the system held together.

THE AMERICAN CAN Company looked at its manufacturing facility in Liverpool and saw an industrial relations nightmare. A mixture of obdurate unions and feeble management had bred a mire of restrictive practices, rigid demarcation and overmanning that was slowly strangling the plant.

"You wouldn't believe what was going on there," says Doug Symon, the company's personnel director. "It was costing us three times more to make cans there than it should have been doing. The top guys in the States were having sleepless nights about it."

That was seven years ago. Since then two things have happened. First, the U.S. company has built a new manufacturing plant at Runcorn, just 20 miles from its own Liverpool horror story and drawn a large part of its workforce from among ex-Merseyiders. This plant has been running for 18 months and so far has been totally stoppage-free, a model of tight manning levels, very high productivity and almost total labour flexibility—comparable with—or better than—anything in the American Can empire.

Second, new managers decided to bite the bullet at Liverpool and attack some of its problems head on. That has been done by some ruthless hatchet work which, the company admits, flouted employment laws. It was also carried through by a painful grinding process of trying to alter attitudes, bargaining and wage structures. That has still some way to go and the future of what remains of the Liverpool operation may depend on how successful it eventually is.

The story of American Can in the area over the last 15 years reflects remarkable shifts in management behaviour and shopfloor response. It also points to four fundamental points which may well apply to many other companies.

● A period of managerial appeasement in the face of entrenched union attitudes and an absence of real communications with the shopfloor almost wrecked a manufacturing site. Some of management's right to manage has been clawed back by much more determined managers. But it has been painful and difficult.

● For some employers, particularly those setting up new plants, the advent of the right-wing leadership in the Amalgamated Union of Engineering Workers—the sole union at Runcorn where it has negotiated an operating agreement abolishing the demarcation concept—has been a crucial development. The environment changed so much over a short period that Mr Symon can say: "We've now got first class relations with other unions but I'm committed to a partnership with the AUEW." There are signs that other unions including the General and Municipal and the Transport and General are also prepared to do new one-union

deals with companies. ● Some senior American Can managers believe the new employment laws make it more difficult, though not impossible, to obtain the kind of agreement it has got at Runcorn. They may like much of the last bout of legislation but say the Employment Secretary has not spoken to enough people at the sharp end of business.

● While some companies such as American Can are not keen on setting up new facilities in Liverpool itself they do not mind including a large element of ex-Merseyiders in their labour force. Nor does this prevent them securing high productivity.

The Liverpool facility was only bought by American Can in the late 1960s so some of the sickness there was developing before it came on the scene. The Liverpool plants were riddled with elitism of the three craft unions—the Engineering Workers, the Electrical and Plumbing Trades Union and the National Graphical Association print union. Members of these three had their own lavatories—with their own locks and keys—which members of the general unions were forbidden by their own shopfloor colleagues to use.

The craft divisions within the unions were formidable—as they still are in many factories. An AUEW line engineer waited for an AUEW fitter if equipment had to be removed. If that equipment possessed wiring, they both waited for an EPTU operator.

A fitter could then remove a faulty piece of equipment to the toolroom. But though he was trained to operate a grinding machine, he did so on pain of death. That was the protected job of a grinder.

The company was forbidden to train semi-skilled men



AUEW negotiator Mr Jack Whyman (left) and American Can personnel director Mr Doug Symon: "This fits the bill."

upwards into the skilled grades. This had to be done through apprenticeship schemes even though everyone knew that it only required 3,000 hours to turn out a skilled can maker. Absenteeism ran at 20 per cent. "We had no proof but we believe there was an absenteeism rota," says Mr Symon. "You know, 'George it's your turn today'." The general workers exercised equal power. The site's convenor was a fork lift truck driver who had organised the drivers into one union unit across all the plants giving them the potential to shut down

production going. They just backed off all the time. "They had a storm once and water started coming in through the roof. The obvious thing to do was fix the roof, right? The labour was such that it said 'we're striking'. The management simply gave them an extra 2½d an hour as 'welly' money and that stayed in the wage structure."

Mr Symon says much of the problem was rooted in the attitude of directors. Shop stewards would appeal to them over the heads of line managers. "The power of these line managers was simply eroded."

There was very little general trust or communication between senior management and the shopfloor about the direction in which the company and the site was moving.

The new management team (including Mr Symon) brought into the company in the mid-1970s swept some of these restrictive practices aside and severely cutback on manning. Some of its tactics were extremely tough and the shopfloor referred to the personnel section as the "dirty tricks department." With the advent of the Runcorn plant, the Liverpool site has been slimmed down to its original drum-making operation together with a small general container line.

The Advisory Conciliation and Arbitration Service is now assisting in trying to get an integrated wage structure for the Liverpool site. Though

all of them in a dispute at one.

An effect of all this was astonishing overmanning in some areas. In the open-top plant the company eventually sacked in one go more than 350 workers out of 670. It says output went up almost immediately.

American Can management partly blames the Liverpool site's problems on obdurate unions. Mr Symon who was brought in in 1975 and began a shake-out at the plant, including demanding the following year — says there were some tough shop stewards, two or three of whom were Communist Party members.

"But half of the problem was the management," says Mr Symon. "It was very weak. They were looking continually at short term problems of keeping

many of the evils have gone. management concedes that on some issues—such as redefining job content—it set too hot a pace. It is a mark of how difficult it is for companies in claw back management's right to manage that the repercussions of the upheavals in the past seven years have still not produced an accepted pay structure. There does appear, nevertheless, to be a spirit of co-operation among the unions.

The Runcorn plant is like another world. With the help of a new site and equipment, a more pleasant environment and compact scale—it employs just over 100—the company has also had the benefit of two influences: a new style of partnership agreement with the AUEW and a different approach to recruitment.

The AUEW's position has been "we'll give you a comprehensive agreement with in-built job mobility if you give us jobs and high pay," Mr Terry Duffy, the union's president was involved in sealing the Runcorn project to American Can's U.S. vice-presidents who were immediately uneasy when they glanced at a map and saw how close Runcorn was to Liverpool.

The agreement was negotiated with the union—in the shape of Mr Jack Whyman, a member of the executive, and Mr David Gough, a district organiser—before recruitment even began. It is similar to an agreement by another can manufacturer, National Can. "We are looking for agreements that give job security, stability of working conditions and meet the demands of the company. This fits the bill," says Mr Whyman.

Potential recruits at Runcorn were presented with the main 40-page operating agreement by the company and asked if they were prepared to accept, all its

conditions. Because the agreement is in effect a post-entry closed shop, American Can managers say it would now be legally more difficult to secure a workforce ballot because a workforce ballot would have to be carried out.

The agreement includes a huge element of labour flexibility and is a model of practicality. Spheres of activity listed in the operating booklet, for example, include "set-up and service equipment, maintenance and repair of equipment, operate all equipment, maximise production and quality of product, fault find and tune up line, carry out quality checks on components and equipment and use small-lot equipment—for example, fork lift trucks—to service line."

There is almost total downward flexibility. In other words, highly skilled electronic technicians can be required to change lavatories. "We wouldn't ask them to though," says Mr Keith McCoy, the plant's personnel manager. It's inefficient use of manpower. There's no demarcation here except the demarcation of common sense."

There was very tight screening of recruits who all had, at least three detailed interviews, and who were required to take manual aptitude tests—something which many traditional workers view as an affront to their craft training. The company as a whole takes a positive—some might say naive—view of the agencies it can identify Communist and "trouble makers" and is loath to take on ex-dockers.

The mix is about 40 per cent ex-Merseyiders, many from Runcorn itself in North Cheshire, which was considered as a Merseyside overspill town. The rest are workers from other parts of Cheshire and South Lancashire who Mr McCoy says tend to be influenced by the old ICI ethic of company loyalty.

Pay is high at Runcorn. Craftsmen working shifts are on £210 a week without overtime, unskilled on £168. Mr Lewis Connor, one of the plant's four shop stewards, says the workforce feels under pressure but some of this is self-generated by the speed of the can-making operation. "The work environment does hit you and it takes you a while to adjust but you do get accustomed to it."

Regular briefing sessions involving the shopfloor, have generated a good deal of healthy rivalry between the Runcorn workforce and that of other American Can sites and other companies.

The bargain struck at Runcorn is high pay for high productivity, but there is always a sting in the tail. As far as the shop stewards are concerned, continuing good relations depend on everyone keeping that bargain. "The company has got to ensure that pay here stays a bit better than anywhere else," says Mr Connor.

The company sacked 350 workers out of 670... output went up almost immediately

There was very little general trust or communication between senior management and the shopfloor about the direction in which the company and the site was moving. The new management team (including Mr Symon) brought into the company in the mid-1970s swept some of these restrictive practices aside and severely cutback on manning. Some of its tactics were extremely tough and the shopfloor referred to the personnel section as the "dirty tricks department." With the advent of the Runcorn plant, the Liverpool site has been slimmed down to its original drum-making operation together with a small general container line. The Advisory Conciliation and Arbitration Service is now assisting in trying to get an integrated wage structure for the Liverpool site. Though all of them in a dispute at one.

Men & Matters

The human touch

Amby Wilson is at last making headway in his crusade to persuade the legal profession to shuffe off its mortal coyness. Wilson, one of Britain's most successful marketing men, has been gently urging the Law Society for nearly two years to allow its members to attract more business within the confines of Rule 1, which forbids lawyers to tout.

Until recently, Wilson's marketing skills had been politely ignored by the Law Society. But now he has been given the go-ahead to lecture to lawyers all over the country.

Wilson, the 59-year-old "retired" head of Industrial Marketing Research, tells me his aim is to get solicitors to brighten their often fuzzy image in a multitude of small ways, so that clients will come to think of them as "nice people to deal with."

For example, many solicitors'

offices have a patronising and intimidating ambience, which Wilson advises should be made more agreeable.

The impenetrable, arid jargon of many solicitors' letters is another area which needs the human touch. And Wilson halves solicitors should be able to ring anybody who has recommended a client, simply to register thanks.

According to Wilson, his gospel is already bringing a sea-change in solicitors' attitudes. "Some of them really know where they are going," he says.

He has certainly converted my informant at the Law Society, who tells me: "Many solicitors have in no way moved into the 20th century in the marketing of their services. If the profession does not watch it, it will lose it clients to accountants and professional divorce services."

Hidden powers

Doing business used to be a matter of shaking hands—now, it appears, it can also involve the shake in your voice.

Decision-making executives in the U.S. are now being offered what sounds a devilish device to monitor the micro-tremors in the voices of people they talk to in the office, at meetings or on the phone.

The electronic black-box, which its maker, Frank Laczko of Arizona, calls the "Silent Partner," registers changes which reflect anxiety or stress. "It has to be used and applied with some judgment," Laczko says. "All it does is tell you that the person you are talking to is under stress. It does not tell you why."

Gun law

Members of Parliament who are alarmed by increases in parliamentary rowdiness and violence in the outside world might be tempted to take a leaf from the legislative annals of Kentucky's General Assembly, which recently approved a Bill to let legislators carry concealed hand-guns in the chamber during debates.

In addition to affording the legislators much needed protection against the violent thugs who roam the streets of Kentucky's capital, Frankfort, this measure should assist the speaker to control the outbreaks of high spirits which sometimes occur in the house.

The last time a gun was fired in the assembly chamber was in 1936, when two legislators got over-excited and began to hurl desks at each other, until somebody fired a pistol into the air.

Pistols could, of course, be put to less constitutional use. If there were hand-guns in the chamber, one representative predicted that "on some days here, half the members would get blown away."

Secret games

The U.S. Government plans to build a Hollywood-type set of the White House and nearby Blair House — where foreign visitors stay — in the neighbouring state of Maryland for its secret service recruits to act out their role in any assassination drama.

The \$1.6m (£940,000) project will also include a simulated shopping centre and a replica of a city street to allow agents to rehearse all aspects of security involved in protecting

Live issue

One of the more extraordinary sights—and smells—at sea these days, I am told, are the oil tankers which have been converted to carry livestock. The ships have been fitted with 14-storey steel pens, half above deck which can hold anything up to 125,000 sheep.

They have proved a profitable adaptation to trade in the Arabian Gulf where the demand for oil may vary but the demand for fresh meat is constant.

But the trade, it seems, faces storms more dangerous than the Indian Ocean squalls which regularly cause 1 per cent casualties among the four-legged cargoes.

Complaints have arisen from Australian trade unions about the loss of jobs in that country's slaughterhouses because of the live shipments.

A special delegation, including government and union officials, is now trotting round the Middle East trying to find a compromise. The sheep, of course, will continue to lose either way.



"I'm 58 per cent Labour, 37 per cent Conservative, 5 per cent Scottish Nationalist, so naturally I'm going to vote SDP."

A FINANCIAL TIMES SURVEY GOLD FUTURES

Tuesday 20th April 1982

The Financial Times proposes to publish a Survey on Gold Futures. The following synopsis outlines the topics to be discussed

1. INTRODUCTION—Role of planned London gold futures market opening on April 19. Details of contract, how it will work and membership. Links with physical gold trading and other futures markets.
2. REVIEW of other gold futures markets in the world — (i) United States (New York and Chicago), (ii) Winnipeg, (iii) Hong Kong, (iv) Singapore, (v) Sydney, (vi) Tokyo.
3. PHYSICAL GOLD TRADING in London, Zurich, New York and other international centres. How the London bullion "fixings" work. Russian and South African methods of selling. Prospects for hedging in futures.
4. MONETARY role of gold. Its links with currencies and influence and impact on monetary system.
5. COINS—Different types of coin available, both old and new. Impact of the futures market on this sector.
6. INVESTMENT—Various ways of investing in gold, ranging from bullion and coins to futures or shares. Record of different forms of gold investment over the years.
7. OPTIONS—How options work and where they are available.
8. SHARES—Review of gold producing companies in South Africa and elsewhere. Various influences affecting share prices.
9. MINING—How gold is mined in various ways; prospects for future supplies.
10. CONSUMPTION—Uses of gold in jewellery, dentistry, electronics and other outlets. The use likely to be made of the futures market by these sectors.

For further information and advertising details contact: SIMON HICKS on 01-248 5115 or 01-248 8000 ext. 3211. Surveys in the Financial Times are subject to change at the discretion of the Editor.

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

Observer

A thinking, talking computer...

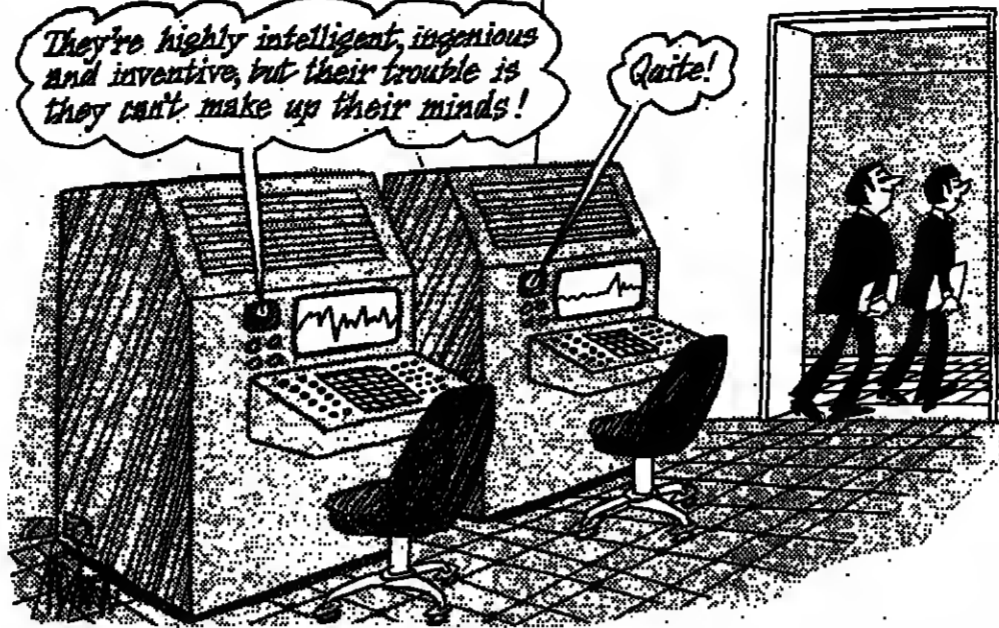
Why the Budget still puzzles

By Guy de Jonquieres

By Samuel Brittan

EVER SINCE the dawn of the computer age, electronics engineers have dreamed of designing an "intelligent" machine...

alone it trebled between 1966 and 1976 to more than 25,000. But Japan's strength has lain predominantly in making incremental advances in technologies...



co-operation in developing the Fifth Generation Computer. It invited experts from government, the academic world and industry in the U.S. and Europe...

inference which would enable it to assemble a mass of information into a coherent logical sequence and draw conclusions from it.

record of undertaking projects whose ultimate goals are not reached but which are nevertheless tremendously successful from an industrial and commercial point of view.

The vehicle is a Government-sponsored project to develop what is known as the Fifth Generation Computer. It is a key element in a strategy to capture the lead in highly sophisticated knowledge processing systems...

"The Fifth Generation Computer will be the space shuttle of human knowledge," according to Professor Toru Motooka of Tokyo University, the project leader. "It will give mankind access to valuable new economic resources. It will be extremely versatile and will be sold on a commercial basis."

That Japan should be aiming for such ambitious goals is a powerful demonstration of the self-confidence generated by its recent spectacular successes in electronics manufacturing.

Like Thomas Edison's definition of genius, writing software is 99 per cent perspiration and 1 per cent inspiration. The skills it requires are quite distinct from those needed to build the computer itself...

It would be fatal for us if Western experts told us that the project was not aimed in the right direction. This need for reassurance stems not only from the fact that the project is by far the grandest and most expensive of its type anywhere in the world.

Automatic language translation. This is a particularly high priority for the Japanese, whose own language is notoriously complex.

Japan is investing heavily in trying to increase productivity in software design to the levels which it has achieved in industrial production. But it has yet to display the capacity for conceptual originality and intuitive brilliance of the very best programmers in the West.

Western research teams, notably in the U.S. and Britain, have been beavering away at these problems for some years. Though the fruits of their labours are starting to appear commercially—for example in computers which can respond to a selection of spoken instructions—most believe that the ten-year time-table set for the Fifth Generation Computer is too short.

Officially, MITI, which is preparing to spend about £25m on the first three-year phase of research, has proposed that other countries should work on separate schemes and compare progress at regular intervals. But if not enough international partners come forward, Professor Motooka has suggested that it may be necessary to headhunt brains from abroad.

The new types of electronic device to be used in the Fifth Generation Computer are being developed in other programmes, some of them jointly funded by MITI and industry. One is a project to build a giant "super-computer" for purposes like meteorological forecasting.

Mr Luard would surely agree that the reduction of unemployment in this country is immensely important and therefore the tying of aid to purchases in this country makes sense.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Of course, it is right to argue that the PSBR is an important constituent of monetary policy — though perhaps in a less deterministic way than is sometimes suggested — and that a lower PSBR may open the door to lower interest rates.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Letters to the Editor

Zero coupons: bed and breakfast: paper gains

From Mr J. Percival. Sir—Samuel Brittan's piece in Lombard of March 15 posed the central problem of company investment...

and breakfasting has no advantage. Moreover, the expenses of bed and breakfasting make this proposition disadvantageous. This disadvantage is exacerbated by the fact that present opportunity cost could for the purpose be taken as the rate of return on Government indexed-linked stocks...

Therefore if paper income is to be treated for tax purposes in a similar manner to paper gains, relief should be provided by an allowance calculated by reference to the original cost of the interest-bearing investment and the retail price index, which can be offset against the paper income for tax purposes.

Policy is now mildly expansionary

From the Senior Economist, Laing and Cruickshank. Sir—Samuel Brittan (Lombard March 15) argues that a cut of £1bn in the public sector borrowing requirement between 1981-82 and 1982-83 "undoubtedly represents a tightening of fiscal policy."

Whatever the attitude of the Inland Revenue, there is no apparent reason to suppose it would differ as between indexed or zero-coupon bonds. The advantage of the latter is that cost to the borrower are both known. And the initial cash flow cost to the lender is zero.

It is self-evident that so long as inflation obtains, interest rates will comprise two distinct elements—the real rate of interest, plus what is effectively a capital repayment to compensate for the "inflation erosion" of the real value of the principal amount on which the interest is calculated.

Using the PSBR forecast as a summary measure of the thrust of fiscal policy is fraught with many well-known difficulties, not least that it is influenced by changes in output and relative prices which may be caused by external events as well as discretionary changes in the instruments of fiscal policy.

Mr Luard would surely agree that the reduction of unemployment in this country is immensely important and therefore the tying of aid to purchases in this country makes sense.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Of course, it is right to argue that the PSBR is an important constituent of monetary policy — though perhaps in a less deterministic way than is sometimes suggested — and that a lower PSBR may open the door to lower interest rates.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

of today's scientific computers, the Cray 1, which can handle up to 250m pieces of information per second.

To operate at such speeds, a computer would need electronic circuits that worked much faster than even the most advanced of today's chips.

In the future, Japan envisages that light waves will be increasingly important as a means of transmitting computer information. In 1979, MITI launched a £50m research programme with major companies into optical communications, which use lasers to generate light pulses and send them down transparent optical fibre strands.

Meanwhile, MITI is turning its attention to still more advanced areas. Last year, it established for the first time a budget for "basic technologies" to finance long-term research into new materials, biotechnology and new electronic devices.

One of the most fascinating projects is to develop an "artificial eye" on a chip only a few centimetres square, which would convert visual information into computerised signals for storage or display. It is expected to take at least 10 years to achieve, but Japanese companies have already developed simpler types of optical sensors.

Officially, MITI, which is preparing to spend about £25m on the first three-year phase of research, has proposed that other countries should work on separate schemes and compare progress at regular intervals.

Work has already started on a pilot for an automated steel plant, equipped with a network of several thousand optical sensing devices which would monitor all its major functions and report to a computer. The schematic diagram depicts a web of electronic circuitry linking the different production units. At the top of the drawing, it is just possible to make out the outlines of two tiny human figures supervising the whole process from a control centre.

THERE CAN have been few Budgets which have given rise to such contradictory reaction as the recent British one. It has been widely welcomed, but for opposite reasons. Some have said that it has stimulated spending power; others that it has kept the counter-inflationary strategy strictly on course.

Others have said that it has done both simultaneously, which is the Government's own line. The personal tax aspects are the easiest to explain. If the Inland Revenue has sent you an increased tax demand of £1,050, and suddenly you receive a surprise envelope containing £50 for tax overpayment, your first reaction is to feel very pleased.

Later on you will realise that you are still paying £1,000 more tax than last year. If you don't believe me, look at a Rowe and Pitman circular by the Oxford economist, Walter Ellis, which is a reasoned eulogy in praise of the Budget.

The rise occurred in the first of the two fiscal years. In 1982-83 the tax proportion is expected to remain more or less stable. As there has been a deliberate shift in the balance away from industry, the personal sector will pay more. The aim of gradually reducing the PSBR proportion of the national product is a sensible one.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.

Mr Luard's article manifests a strange lack of reality and balance. Aid is not a question of "quality versus quantity". It is a question of more quantity and constantly improving quality.



U.S. \$75,000,000

Occidental International Finance N.V. 16 3/4 per cent. Guaranteed Notes due 1987

Unconditionally Guaranteed as to Payment of Principal, Premium, if any, and Interest by Occidental Petroleum Corporation

(Incorporated in the State of California, U.S.A.)

- Dean Witter Reynolds Overseas Ltd. Swiss Bank Corporation International Limited. Algemeene Bank Nederland N.V. Banque Bruxelles Lambert S.A. Banque Nationale de Paris. Banque de Paris et des Pays-Bas. Blyth Eastman Paine Webber International Limited. Kidder, Peabody International Limited. Société Générale de Banque S.A. Westdeutsche Landesbank Girozentrale. Donaldson, Lufkin & Jenrette Securities Corporation. Amro International Limited. Banca del Gottardo. Bank Leu International Ltd. Banque Générale du Luxembourg S.A. Banque Populaire Suisse S.A. Luxembourg. Banque Worms. Bayerische Landesbank Girozentrale. Berliner Handels- und Bank für Berlin. Christiania Bank og Kreditkasse. Compagnie Monégasque de Banque. Créditanstalt-Bankverein. Crédit du Nord. Dai-ichi Kangyo International Limited. European Banking Company Limited. Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft. Groupement Privé Genevois S.A. The Hong Kong Bank Group. Lazard Frères et Cie, Paris. Merrill Lynch International & Co. Morgan Grenfell & Co. Limited. The Nikko Securities Co. (Europe) Limited. Nordic Bank PLC. Pierson, Holding & Pierson N.V. Salomon Brothers International. Skandinaviska Enskilda Banken. Société Ségusienne de Banque. Trade Development Bank, London Branch. Verband Schweizerischer Kantonalbanken. J. Vontobel & Co., Bankiers. Wood Gundy Limited. Arnold and S. Bleichroeder, Inc. Banca Unione di Credito. Bank Mees & Hope NV. Banca Commerciale Italiana. Julius Baer International Limited. Bank of Tokyo International Limited. Banque Internationale du Luxembourg S.A. Banque de l'Union Européenne. Bayerische Hypothek- und Wechsel-Bank Aktiengesellschaft. Bear, Stearns and Co. CIBC Limited. Continental Illinois Limited. Country Bank Limited. Crédit Commercial de France. Crédit Industriel et Commercial. Crédit Lyonnais. Daiwa Europe Limited. Dresdner Bank Aktiengesellschaft. Genossenschaftliche Zentralbank AG Vienna. Goldman Sachs International Corp. Handelsbank N.V. (Overseas) Limited. Kleinwort, Benson Limited. LTCB International Limited. Samuel Montagu & Co. Limited. Nederlandsche Credietbank N.V. Norddeutsche Landesbank Girozentrale. Österreichische Länderbank. N.M. Rothschild & Sons Limited. J. Henry Schroder Wagg & Co. Limited. Société Générale. Svenska Handelsbanken. Union Bank of Switzerland (Securities) Limited. Varenta- und Westbank Aktiengesellschaft. Yamaichi International (Europe) Limited.

NEW ISSUE All these securities having been sold, this announcement appears as a matter of record only. MARCH 1982

ACC in fresh court moves

BY JOHN MOORE, CITY CORRESPONDENT

DIRECTORS OF Associated Communications Corporation, the entertainment conglomerate, are today to consider the position of Mr Robert Holmes a Court, the Australian entrepreneur, as group chairman. At the same time the directors are in put in train moves to the Appeal Court in an effort to clarify an earlier decision by the court on takeover attempts mounted by the Australian. A pre-condition of Mr Holmes a Court's original bid for ACC by his master company, the Bell Group in January, was that Lord Grade must resign as chairman and chief executive and agree to rescind all his service contracts with the company. In his place Mr Holmes a Court sought his own appointment. Among the other conditions, Bell said that it must hold in aggregate 50 per cent of the voting shares of ACC, which were largely held by the directors. ACC directors, including Lord Grade, who stood down as chairman, gave irrevocable undertakings to accept the offer in respect of around 64 per cent of the voting shares which they held. Their undertakings were subsequently challenged by Heron Corporation, the private company headed by Mr Gerald Ronson, which has made two counter-bids for ACC. The challenge was made through the courts and judges ruled earlier this month that the undertakings were "void and of no effect." Share holder Mr Holmes a Court has revised his takeover bid, from the original terms of his offer of 66p for each non-voting share, to a bid worth up to 110p per non-voting share. His new offer has been made through TVW Enterprises, an Australian television company associate of Bell Group. TVW is making a two tier offer for ACC, the highest offer worth 110p for each quoted non-voting "A" share, placing a value of more than £80m on the entire group. If TVW does not gain 50 per cent acceptance for the higher offer, then a lower offer worth 95p per share will be made. This latest offer is conditional on the continuation of Bell's managerial and financial support to ACC until the lower offer becomes unconditional. If Mr Holmes a Court is forced to step down as chairman and chief executive then the TVW offer may be put in jeopardy by reason of the management support of Bell being discontinued. Mr Holmes a Court said yesterday that Bell intends to withdraw its original offer. "The directors have a release from their undertakings from Bell," said Mr Holmes a Court. "But they seem to have panicked and gone back to the court of appeal to seek clarification." The directors are concerned about the implications of the court ruling, which was made with regard to the earlier Bell offer, and its bearing on the new higher offer from the associate company of Bell Group, TVW Enterprises. Mr Holmes a Court described the move as "academic and unnecessary" because Bell proposed to withdraw its original bid. On the chairmanship of the company, Mr Holmes a Court said, "I have said all the way along that if I do have a conflict of interest I would most certainly step down." He added, "I have consulted with the director-general of the Takeover Panel and under the City Code there is no conflict. I have also taken legal opinion." The Takeover Panel is expected to announce this week its verdict on the purchase of 925,000 shares in ACC by TVW Enterprises which breached the City code.

FT Share Information

The following security has been added to the Share Information Service: Television South West (Section: Leisure). BOC GROUP In connection with the acquisition by BOC Group of Software Sciences International in December 1978, a final amount of £2.6m has become payable as consideration for the acquisition. This is to be satisfied by the issue of 1,564,371 ordinary shares.

AIM capitalised at £14.7m

THE PROSPECTUS is published today of an offer for sale of 4m shares of AIM Group, a supplier of interior fittings for aircraft. At the offer price of 140p, the group is capitalised at £14.7m. The offer consists of 500,000 new shares, raising a net £340,000 after expenses for the company, and 3.5m shares being sold in equal amounts by the group's two shareholders. AIM has been built up over the past decade by first bringing together an electrical contract engineering business and an aviation equipment manufacturer and then taking over a quoted aircraft interiors company, W. Henshall, in 1978. Turnover has grown from £1.78m in the year to April, 1977 to £10.1m in 1981 and £5.68m in the first six months of the current year. Over the same period, pre-tax profits have risen from £141,000 to £1.7m last year and £1.1m in the first half of this year. Profits are forecast to reach £2.2m this year. Last year, 65 per cent of turnover and 94 per cent of profits came from the aviation operations. AIM supplies galleys, cabin service equipment and sheetmetal components for aircraft and has built up a diversified clientele of aircraft manufacturers and airlines. It also fits bespoke interiors for executive aircraft. The group had net tangible assets of £3.4m at October 31, 1981 and net liquid balances of £0.6m. Fixed assets of £1.9m consisted of £0.8m in plant and machinery and most of the balance in factories at Cambridge, Heathrow, Byfleet, Crawley, Bournemouth and Southampton. AIM has not previously paid dividends but the directors intend to pay a final dividend of 3.25p in respect of the current year. A full year rate of 5.75p is indicated. Mr J. C. Smith, the chief executive and Mr Caspar Macdonald-Hall, sales director, who each hold 3.25m shares following the offer, are waiving their entitlement in all but 0.1p per share of the final dividend in respect of 1981-82. The offer for sale is being made by County Bank and brokers in the offer are Cazenove. Applications are due before 10 am on Thursday.



AIM Group directors (Left to Right): Mr Jeff Smith, chief executive, Mr Caspar Macdonald-Hall, sales director, and Mr Sam Macdonald, chairman, with Mr Bob Woodruff, foreman, putting the final touches to a galley for a HS 146.

The group had net tangible assets of £3.4m at October 31, 1981 and net liquid balances of £0.6m. Fixed assets of £1.9m consisted of £0.8m in plant and machinery and most of the balance in factories at Cambridge, Heathrow, Byfleet, Crawley, Bournemouth and Southampton. AIM has not previously paid dividends but the directors intend to pay a final dividend of 3.25p in respect of the current year. A full year rate of 5.75p is indicated. Mr J. C. Smith, the chief executive and Mr Caspar Macdonald-Hall, sales director, who each hold 3.25m shares following the offer, are waiving their entitlement in all but 0.1p per share of the final dividend in respect of 1981-82. The offer for sale is being made by County Bank and brokers in the offer are Cazenove. Applications are due before 10 am on Thursday.

made by County Bank and brokers in the offer are Cazenove. Applications are due before 10 am on Thursday. • comment The Henshall acquisition in 1978, which caused a flurry of controversy at the time, provided AIM with the base in the aircraft fittings business. As the profit record shows, the young directors have worked hard on productivity and have made the group competitive enough to build up exports to 22 per cent of turnover. Commentators EIS may complain that demand for galleys is at a low level but AIM's order books are at near-record levels. Most of the proceeds from the offer are going to the two owners of the business, but the balance sheet and cash flow are strong and the group is likely to be on the acquisition trail soon with its paper. Its next strategic goal is to set up a U.S. subsidiary "completion centre" in the UK where basic aircraft for the assembly line are sent to be fitted with everything from avionics to ashtrays. The p/o of 13.6 at the offer price probably leaves some room for a post-offer premium but, more important, the longer term prospects look very interesting.

NatWest's record foreign loans

LAST YEAR, more foreign currency loan capital was raised by NatWest Westminster Bank than at any time in its history. The group raised the equivalent of \$470m of foreign loan capital in international markets and issued over \$300m of commercial paper in the U.S. money markets. The money is being used to boost the group's international expansion and explains the near doubling in the group's loan capital to £554m in the group's annual report published today. In 1981 shareholders funds rose from £1.8bn to £2.21bn and total assets grew from £34.57bn to £43.3bn. Last year the group raised two 10-year Eurobond issues totalling \$275m which were rated triple A by two leading New York rating agencies. The bank also raised a further \$100m of subordinated loans maturing in 1988. In addition the group's Dutch finance subsidiary, National Westminster Finance, raised DM 225m of guaranteed bearer bonds. The bank began issuing commercial paper—short-term notes of under 270 days maturity—in New York in June 1981. Aside from giving the bank greater flexibility in its financing operations it also gets its name better known in the U.S. money markets. At the end of last year over \$300m of NatWest's commercial paper was outstanding.

Sutcliffe Speakman 'still in loss'

AN IMPROVED outlook last summer has, in the event, proved insufficient to help Sutcliffe Speakman, the engineering concern, avoid a third year of losses for the 12 months to March 31. The company confirmed that its latest year has been unprofitable despite a measure of optimism in the chairman's statement for 1980-81. In 1981 the group pre-tax loss was £374,000 (£503,000). The main UK businesses are to be reorganised with further cost-cutting to cope with the continuing effects of the recession in the engineering markets. The two main operations of general engineering and specialised carbon production are to be bived-off from the parent which will become a holding company into two new subsidiaries called Sutcliffe Speakman Engineering and Sutcliffe Speakman Carbon. The first will be headed by Mr A. Moores, the group managing director. The second is the subject of an external appointment now being finalised. Major cost-cutting exercises include a reduction in the floor space used by the company in its main Leigh plant in Lancashire. It is hoped to reduce usage by about 40 per cent and alternative options for the space are now under discussion. A reduction in the plant's 375 workforce is also planned and talks are due to start with the several trades unions involved next week. Mr Moores said yesterday it was not yet possible to detail the effects of these measures. The were signs of better market conditions for the com-

pany, particularly in the U.S. "but the confidence will only be there if we get the orders we are anticipating at the end of the day," he said.

Public Works Loan Board rates

Table showing Public Works Loan Board rates for various terms and maturities, including Effective March 13, Quota loans repaid, and Non-quota loans A* repaid.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not given as to whether dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

Table listing board meetings for various companies including Anglo-African Finance, Bacter, British Aerospace, Cambridge Electronics, etc.

Pending dividends

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meeting (indicated thus) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Table of pending dividends listing company names, dates, and announcement details.

RECENT ISSUES

Table of recent issues listing company names, issue prices, and other details.

FIXED INTEREST STOCKS

Table of fixed interest stocks listing various financial instruments and their prices.

"RIGHTS" OFFERS

Table of rights offers listing company names, issue prices, and other details.

Advertisement for AMADA CO., LTD. featuring a logo, company name, and a list of international partners and agents.

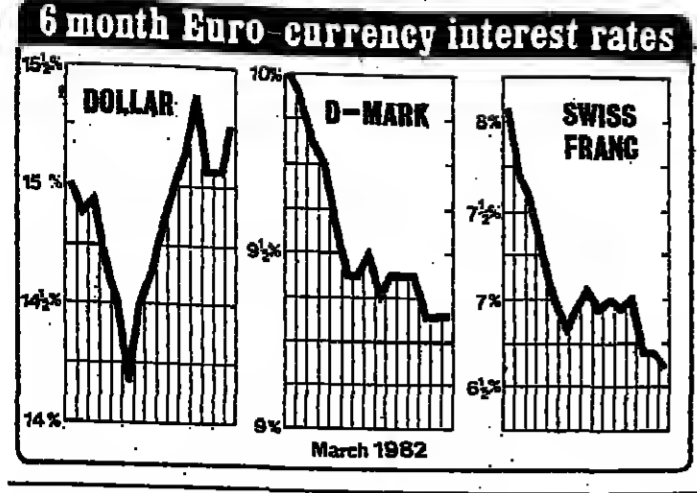
Advertisement for Israel Discount Bank Limited, including a balance sheet as of 31st December 1981 and details of assets and liabilities.

Advertisement for M. J. H. Nightingale & Co. Limited, featuring a table of local authority bond rates and information on finance for industry term deposits.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Buying short and buying quality



THIS MORNING the world of international finance is again divided between Europeans on one side of the Atlantic cheerlog cuts in short-term interest rates and the American financial community on the other, not quite certain of the movement of money rates and hoping for the best.

There is quality paper around in the Eurodollar market and a fair amount of it is to be found in the \$1.6bn of new fixed-interest bonds which has been launched over the past three weeks. But last week saw a high content of floating rate notes (\$495m), usually a sign that the market is dithering about the outlook for interest rates.

works bank. The 17 1/2 per cent coupon on this 10-year paper reflects both the traditional high rates paid in the Eurodollar market and the less than rapturous reception now being accorded to Mexican issuers as a result of the country's economic headaches.

POINTS OF NO RETURN Linking bond yields to currency rates

CURRENCY speculation, like a game of roulette, is one of the fastest methods known to man of losing one's shirt. In the Eurobond market, the combination of volatile interest rates and uncertain currencies can provide investors with a hair-raising adventure.

The Bundesbank's 1/2 point cut in the special Lombard rate to 9 1/2 per cent last Thursday, combined with cuts in Swiss and Dutch rates on the same day, provided encouragement for already buoyant Continental markets.

The same formula—adjustable coupon three-year paper—was used for GMAC's \$100m issue on Friday through CSFB. There are some in the Eurodollar bond market who are now convinced that GMAC is in the running for the "Most Frequent Borrower of 1982" award, but the latest issue carries a 15 1/2 per cent coupon at 99 1/2 just to make sure the paper sells. If you want to be a frequent borrower—GMAC has this year issued \$800m (nominal value) of zero coupon bonds and \$250m of straight— you have to pay up.

The Eurodollar sector too, stands a chance of performing strongly over the next week or two. There is firm undertone of buying demand and much of the bad statistical news from the States is discounted. A great deal depends, as it usually does, on the path of the U.S. bond market and its capricious nature.

CREDITS

Opting for a generous margin pays off for Greece

GREECE'S decision to opt for a generous 1/2 per cent margin on its forthcoming Eurocredit has paid off. On Friday the Central Bank was able to award a formal mandate for a deal amounting to \$540m, sharply higher than the \$400m originally sought.

Elsewhere in Southern Europe, Italy's electric utility ENEL has awarded a mandate to Deutsche Bank for a large credit in an amount expected to be fixed this week. Market centre around a spread of 1/2 per cent over London interbank offered rates (Libor) for the first six years rising to 1/2 per cent for the final two.

While Bank of America has been sounding out international banks on a \$300m operation for Eletrobras, Chase Manhattan has obtained a firm mandate from the oil concern Petrobras to raise a \$300m, eight-year credit.

The eight-year credit will bear front-end fees of 1/2 per cent and repayments will begin after a five-year grace period. The underwriting group comprises 18 banks including Credit Lyonnais and Morgan Guaranty who will act as joint agents.

The Greek decision brings to an end weeks of speculation over the terms it might obtain for the credit. Banks were particularly concerned that it might be tempted to opt for a deal including a 1/2 per cent element in the margins which would have been difficult to sell to smaller participants.

Elsewhere, Egypt has asked Chase Manhattan to arrange a \$200m, two-year, standby revolving credit with the option of extending the facility for a further one year. This is Egypt's first public international syndication since 1977 and bears a margin of 1/2 per cent over Eurodollar rates or 1 1/2 per cent over U.S. prime.

CURRENT INTERNATIONAL BOND ISSUES

Table with columns: Borrowers, Amount m., Maturity, Av. life years, Coupon %, Price, Lead manager, Offer yield %.

Table with columns: Borrowers, Amount m., Maturity, Av. life years, Coupon %, Price, Lead manager, Offer yield %.

Advertisement for THE JAPAN DEVELOPMENT BANK, U.S. \$ 50,000,000, 15 1/2 % Guaranteed Notes Due 1987. Offered by JAPAN, BANQUE DE PARIS ET DES PAYS-BAS, BANK OF TOKYO INTERNATIONAL LIMITED, CREDIT SUISSE FIRST BOSTON LIMITED, etc.

Advertisement for U.S. \$ 200,000,000 CREDIT NATIONAL, Guaranteed Floating Rate Notes Due 1994. Redeemable at the Noteholder's option in March 1990 and 1992. Unconditionally guaranteed as to payment of principal and interest by THE REPUBLIC OF FRANCE. Includes list of participating banks.

U.S. BONDS

Investors keep their distance despite peak real returns

THE REAL rate of interest in the U.S. last week was probably a record. Nobody knows exactly what it was, but it must have been over ten per cent, about three times its historical level.

With prices at the factory gate now declining for the first time in six years and retail prices rising five per cent at the most, a prime rate of 16 1/2 per cent looks not just astronomical but quite preposterous.

The highest stumbling block was the Fed Funds rate which stock with surprising tenacity to the 15 per cent level despite the predictions of money market analysts that it would soften.

only 14 per cent. The strength of Fed Funds came partly from fears that the money supply is due for another seasonal surge which will force the Fed to clamp down further.

Some of the market's weakness followed news that the economy appeared to pick up a bit in February, posing the possibility of a rebound in credit demand.

Industrial production rose 1.6 per cent, the first gain in many months, and housing construction leapt ahead.

Norcem recovery leads to resumption of dividend

BY FAY GJESTER IN OSLO

NORCEM, the Norwegian building materials group, reports a strong recovery in profits for 1981 and plans to start repaying a dividend.

On sales 18 per cent higher at Nkr 3.1bn, profits before tax emerged at Nkr 53m (\$9m) compared to Nkr 9.6m in 1980. A dividend of 10 per cent is proposed.

Disposal profits, mostly share sales, of Nkr 21m take total pre-tax profits up to Nkr 74m, against little more than breakeven in 1980 following an extraordinary debit of Nkr 9.3m.

The improved profit reflects higher earnings by the foreign subsidiaries, the elimination of loss-makers and higher earnings on domestic cement sales.

Managing director, Mr. Gerhard Helberg, says that the result, although "a step in the right direction," was far from good enough.

Norcem is capital intensive and needs annual net profits of between Nkr 150m and Nkr 200m "to be able to invest as we would like."

The improvement in earnings by the three Norwegian cement plants was partly a result of their conversion from oil to coal firing.

Local cement production has been reduced to 1.6m tonnes; purchases of foreign-made cement last year reached over 5m tonnes.

Petroleum services increased turnover last year, but overall profits were about the same as in 1980.

But the bulk of Norcem's business remains cement. Its foreign cement trading operations are handled through terminals where Norcem is partner.

The newest of these is in Port Harcourt in Nigeria which cost Nkr 80m to develop and will eventually handle 1m tonnes of cement a year.

Partnered by Nigerian and Finnish interests, Norcem has a 20 per cent shareholding in the terminal.

rejected by a 12-to-one margin to become members of the Airline Employees Association.

For Mr. Eir Timoner, Air Florida's chairman, the defeat of the unions represented "another step in the airline's plan to return to profitability in 1982."

Air Florida, after a remarkable period of growth, reported a loss of \$5.5m last year.

subsidary of Pitney Bowes. Mr. Arthur R. Taylor, chairman, president and chief executive officer of RCTV Inc., and managing partner of Arthur R. Taylor and Co., has been elected a director of Pitney Bowes Inc.

Mr. Harry Breeden has been appointed executive chairman of NORTHWEST AUSTRALIA PTY. He was previously managing director of Northwest Civil Engineering.

Mr. Ronald K. Glover has been appointed executive vice-president of marketing and consumer financial services group at American Express headquarters in New York.

Mr. James R. Youngblood has been named vice-president, marketing, of the peripherals division of PERTEC COMPUTER CO, California, a wholly-owned subsidiary of Triumph-Adler.

Mr. Matthew J. Wall, has been named vice-president of domestic operations of the M. W. KELLCOG CO., a Wheelabrator-Frye Inc. subsidiary.

Mr. Paul Williams, becomes senior vice-president of international operations, and Mr. James J. Degnan, replaces Mr.

Williams as vice-president and general manager of Houston operations.

GAP CORP., New York, has elected Mr. Bernard J. McFadden, vice-president since 1978, as its treasurer.

Mr. Bernard J. McFadden has been appointed general manager and executive vice-president of ITT Avionics and the Middle East.

COOPERS AND LYBRAND, Dublin, has appointed Mr. Kevin

Burlington Northern sells air freight arm

By Our Financial Staff

BURLINGTON NORTHERN, the U.S. railways, is selling its air freight forwarding operations for \$177m in cash.

The company has agreed in principle to sell Burlington Northern Air Freight, whose 1981 revenues totalled \$350m, to Pittston, the coal mining-to-security services group.

Pittston intends to operate BN Air Freight with no changes in management or organisational structure. BN Air Freight provides domestic and international forwarding services and is claimed to be the second largest forwarder of air freight in the U.S.

The disposal by Burlington Northern is subject to compliance with regulatory requirements, a definitive purchase agreement and the approval by the boards of both companies.

Burlington Northern stressed that it could make no comment on its plans for investing the cash proceeds from the sale of BN Air Freight.

Hudson's Bay hit by retailing squeeze

BY ROBERT GIBBENS IN MONTREAL

Hudson's Bay, Canada's largest retailer, reports operating earnings of C\$3.7m for the year ended January, 1982, against C\$5.6m a year earlier.

The poor output was due to the impact of the recession and a squeeze on consumers' disposable income particularly in the second half of the year.

However, the results were marginally ahead of expectations. Many analysts had expected the Bay to report an operating loss.

The latest earnings were not sufficient to cover preferred dividends of C\$17m. However, the Bay, which is controlled by the International Thomson group, made a C\$382m special

gain last year on the sale of a major holding in Hudson's Bay Oil and Gas. This deal netted earnings over C\$388m against C\$73.4m on the same basis in 1980-81.

Revenue was C\$4.2bn against C\$3.8bn. The company operates the Bay department store chain, Simpsons, and owns a large minority interest in Simpsons-Sears. The company also owns the Zellers chain in East Canada and has a small oil and gas company in Western Canada.

The Bay operates major real estate assets through Markborough Properties, which has plans to develop the former Bay headquarters in the City of London.

Credit watch on BAT

BAT, the UK tobacco and retailing company, and Marshall Field, the Chicago department store group for which it is bidding \$500m have both been placed on "credit watch" by Standard and Poor's, one of the leading New York credit rating agencies. This means S and P

thinks current developments could affect the credit standing of both companies. David Lascelles reports from New York.

S and P said the acquisition would add Marshall Field's debt to BAT's and increase its leverage.

take over the operational responsibility of Mr. Hammerill for Les Fabriques d'Assurances Reunies SA (FAR), MONTREAL and PIERRES HOLDING SA. These changes take effect from April.

Mr. Louis Castelli, president of Moore McCormack Energy, has been elected a vice-president of the U.S. based MOORE MCCORMACK RESOURCES INC.

Mr. Harry Taylor has been elected president of MANUFACTURERS HANOVER CORPORATION and Mr. John R. Torrell III president of MANUFACTURERS HANOVER TRUST COMPANY.

Mr. Taylor and Mr. Torrell, formerly vice chairman of both organisations, succeeded Mr. John F. McGillicuddy who had been president of each institution. Mr. McGillicuddy continues as chairman and chief executive of both the Trust Company and the Corporation. Mr. Taylor has also been elected executive vice chairman of the Trust Company and Mr. Torrell executive vice chairman of the Corporation.

ASJAG (The General Corporation of Swiss Horological Industries) has appointed Mr. Carl M. Meyer, assistant general manager of GWC (General Watch Co) financial director in place of Mr. Helmut Hammerill. Mr. Hans Sommer, general manager of Ebauches SA, is to

ELECTRONIC MEMORIES AND MAGNETICS CORP. has appointed Mr. W. D. Warren, formerly a vice president with Datapoint Corp, as president, replacing Mr. Trade Taylor, who continues as chairman.

Airline spurns unionism

BY PAUL BETTS IN NEW YORK

FOR THE second time in the ten-year history of Air Florida, the ground personnel of the Miami-based fast expanding airline has rejected an attempt by organised labour to unionise company employees.

Air Florida, which has made major inroads in the U.S. airline industry as a result of airline deregulation and its competitive advantage as a non-unionised airline, said its airport and reservation employees

INTERNATIONAL APPOINTMENTS

subsidary of Pitney Bowes. Mr. Arthur R. Taylor, chairman, president and chief executive officer of RCTV Inc., and managing partner of Arthur R. Taylor and Co., has been elected a director of Pitney Bowes Inc.

Mr. Harry Breeden has been appointed executive chairman of NORTHWEST AUSTRALIA PTY. He was previously managing director of Northwest Civil Engineering.

Mr. Ronald K. Glover has been appointed executive vice-president of marketing and consumer financial services group at American Express headquarters in New York.

Mr. James R. Youngblood has been named vice-president, marketing, of the peripherals division of PERTEC COMPUTER CO, California, a wholly-owned subsidiary of Triumph-Adler.

Mr. Matthew J. Wall, has been named vice-president of domestic operations of the M. W. KELLCOG CO., a Wheelabrator-Frye Inc. subsidiary.

Mr. Paul Williams, becomes senior vice-president of international operations, and Mr. James J. Degnan, replaces Mr.

Williams as vice-president and general manager of Houston operations.

GAP CORP., New York, has elected Mr. Bernard J. McFadden, vice-president since 1978, as its treasurer.

Mr. Bernard J. McFadden has been appointed general manager and executive vice-president of ITT Avionics and the Middle East.

COOPERS AND LYBRAND, Dublin, has appointed Mr. Kevin

Williams as vice-president and general manager of Houston operations.

GAP CORP., New York, has elected Mr. Bernard J. McFadden, vice-president since 1978, as its treasurer.

Mr. Bernard J. McFadden has been appointed general manager and executive vice-president of ITT Avionics and the Middle East.

COOPERS AND LYBRAND, Dublin, has appointed Mr. Kevin

Howard Miller returns to head Avis

Mr Howard C. Miller, Jr. has been appointed president and chief operating officer of AVIS



Mr Howard C. Miller, Jr.

Corporation, and had been in charge of Avis from 1968 to 1972 while an executive of International Telephone and Telegraph Corporation. Mr. J. Patrick Barrett, an executive vice president of NSL will continue as chief executive officer of Avis, a position he has held since the resignation of Mr. James F. Calvano as Avis president and chief executive officer last August.

AT UNITED BRANDS COMPANY, New York, Mr. Lionel Sterling has resigned as executive vice president, chief financial officer and a director. No replacement has been announced.

Dr. Hans-Ulrich Doerig, head of the multinational services division of CREDIT SUISSE, has been appointed a deputy general manager of the bank. Mr. Thomas Schmidheiny, management chairman of Holderbank Financiere Garus, has succeeded former Swiss Finance Minister, Dr. Nella Celio on the Credit Suisse board.

PITNEY BOWES INC., Stamford, Conn., has elected Mr. Carmine F. Alizzandro as vice president-controller of the corporation. He was vice-president-finance of the Wheeler Group, the direct mail catalogue

David Lascelles

U.S. INTEREST RATES (%)

Table with 2 columns: U.S. Interest Rates (%) and values for various terms like Fed funds, 3-month Treas, etc.

The Japan Development Bank advertisement. Includes text: 'The Japan Development Bank (Incorporated pursuant to The Japan Development Bank Law) U.S. \$ Denominated 8% Yen-Linked Guaranteed Notes 1987 of an aggregate principal amount equivalent to Yen 12,500,000,000 Unconditionally and irrevocably guaranteed by Japan' and a list of participating banks.

FT INTERNATIONAL BOND SERVICE table. Columns include U.S. DOLLAR STRAIGHTS, YEN STRAIGHTS, EURO BOND TURNOVER, and various bond listings with prices and yields.

The Application List for the Ordinary shares now offered for sale will open at 10 a.m. on Thursday, 25th March, 1982 and may be closed at any time thereafter. Copies of this Offer for Sale, having attached thereto the documents specified herein, have been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange for the whole of the issued and now being issued share capital of AIM Group PLC ("the Company") to be admitted to the Official List. This Offer for Sale includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries. The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly. This Offer for Sale does not constitute, and may not be used for the purpose of, an offer or solicitation in any jurisdiction, or to any person resident in any jurisdiction, in which or to whom such an offer or solicitation is not lawful or authorised.

AIM GROUP PLC

(Incorporated in England under the Companies Acts 1949 to 1967, No. 972433)

Offer for Sale

COUNTY BANK

of 4,000,000 Ordinary shares of 10p each and one share payable in full on application.

The Ordinary shares now offered for sale are entitled to all dividends hereafter declared or paid on the Ordinary shares of the Company.

SHARE CAPITAL	
Authorised	Issued and now being issued fully paid
£1,250,000 in 12,500,000 Ordinary shares of 10p each	£1,050,000

Indebtedness

At the close of business on 26th February, 1982 the Company and its subsidiaries had outstanding borrowings of £186,621 (of which £62,530 was secured), a hire-purchase commitment of £23,883 and a contingent liability of £150,000 under a counter-indemnity. Save as aforesaid and apart from intra-group liabilities, neither the Company nor its subsidiaries had at that date any loan capital, including term loans, outstanding, or created but unissued, mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.

KEY INFORMATION

The following information should be read in conjunction with the full text of the Offer for Sale.

Principal activities

The Group's primary activity is the design and manufacture of a broad range of aircraft cabin interiors and equipment and protective coverings for military and civil aircraft; other activities include mechanical and electrical contract engineering and the design and manufacture of a range of patented ovens for use in commercial catering.

Turnover and profits

Year to 30th April	Turnover £'000	Profits before taxation £'000
1977	1,777	141
1978	3,057	384
1979	6,234	281
1980	8,090	1,037
1981	10,132	1,705
1982 (forecast)		2,200

Market capitalisation

At the Offer for Sale price of 140p per share, the total value of the issued share capital immediately following the Offer for Sale will be £14.7 million.

Price-earnings ratio

On the basis of the forecast profit for the year to 30th April, 1982, adjusted to take account of interest on the net proceeds of the new shares now being issued, and after provision for corporation tax at 52 per cent., the price-earnings ratio at the Offer for Sale price of 140p per share is 13.6 times.

Dividends

On the basis of the expected dividend of 5.75p (net) per share for a full year, the gross dividend yield at the Offer for Sale price would be 5.57 per cent. After a full tax charge on the forecast profit, the dividend would be covered 1.75 times excluding the benefit of any waivers.

Net tangible assets

Following the Offer for Sale, the consolidated net tangible assets of the Group, based on the audited consolidated balance sheet at 31st October, 1981 and adjusted for the net proceeds of the new shares now being issued, will be £3.78 million.

DIRECTORS & ADVISORS

DIRECTORS

Robert MacDonald-Hall, (Chairman)
Victoria House, Victoria Street, Northam, Southampton SO11 1QZ.
Jeffrey Colin Smith, (Group Chief Executive)
Victoria House, Victoria Street, Northam, Southampton SO11 1QZ.
Caspar MacDonald-Hall
Victoria House, Victoria Street, Northam, Southampton SO11 1QZ.
Robert Anthony Green, F.C.A.
Victoria House, Victoria Street, Northam, Southampton SO11 1QZ.
Sidney John Smith, M.Sc., C.Eng., F.R.Ae.S., F.B.I.S., A.M.J. Inst. E., M.I.E.T.
Victoria House, Victoria Street, Northam, Southampton SO11 1QZ.
SECRETARY AND REGISTERED OFFICE
Robert Anthony Green, F.C.A.
Victoria House, Victoria Street, Northam, Southampton SO11 1QZ.
STOCKBROKERS
Cazenove & Co.
12 Tokenhouse Yard, London EC2R 7AN.
SOLICITORS TO THE COMPANY
Rubinstein Callingham
6 Raymond Buildings, Grays Inn, London WC1R 5EZ.

SOLICITORS TO THE OFFER
Travers Smith, Braithwaite & Co.
6 Snow Hill, London EC1A 2AL.

JOINT AUDITORS AND JOINT REPORTING ACCOUNTANTS
Binder Hamlyn
8 St. Bride Street, London EC4A 4DA.

Rothman Pantall & Co.
Avebury House, St. Peter Street, Winchester, Hampshire SO23 8BN.

PROPERTY VALUERS
Conway Reif, Chartered Surveyors
44 St. James's Place, London SW1A 1PG.

BANKERS
National Westminster Bank PLC
21 Lombard Street, London EC3P 8AR.

REGISTRARS AND TRANSFER OFFICE
National Westminster Bank PLC
Registrar's Department, P.O. Box 82, 37 Broad Street, Bristol BS39 7NH.

The following information concerning the Company and its subsidiaries ("the Group") has been received by County Bank Limited from the Directors of the Company:-

INTRODUCTION

The Group's primary activity is the design and manufacture of a broad range of aircraft cabin interiors and equipment for military and civil aircraft. The range includes galley and cabin service units, overhead storage racks, soundproofing materials, interior decor and trim and aircraft seating. The Group also manufactures specialised covers for all-weather protection for use in the aviation industry. It is one of the leaders in its field, capable of supplying a complete package to meet the particular requirements of its customers which include governments, major world airlines, aircraft manufacturers and equipment suppliers.

In addition the Group has two other principal activities. These are, first, a contracting business which comprises the design, installation and maintenance of heating, air-conditioning, refrigeration, electrical and fire-protection systems; and second, the design and manufacture of a range of patented ovens which combine both micro-wave and convection principles known as "micro-oven" ovens.

HISTORY

The Group is the result of a series of successful acquisitions of a number of companies with good products and a sound engineering base, which were in need of reorganisation and investment. The Company was incorporated in February, 1970 by Mr. R. MacDonald-Hall and in that year acquired the assets and business of a mechanical and electrical contract engineering business, based in Southampton. This business is now carried on by a subsidiary, F. W. Cook (Mechanical Services) Limited ("Cook's"), and has been expanded to include refrigeration and air-conditioning. In 1972, largely as a result of his experience and interest in aviation, Mr. R. MacDonald-Hall and his family acquired the first of the companies engaged in the manufacture of aviation equipment, John E. Clarke & Co., (Bournemouth) Limited ("Jecco").

In 1973 Mr. R. MacDonald-Hall sold the Company, which is now the holding company for the Group, to Mr. J. C. Smith and Mr. C. MacDonald-Hall in equal proportions.

In 1978 the issued share capital of W. Henshall & Sons (Aldershot) Limited ("Henshall"), a public company listed on The Stock Exchange, was acquired by a general offer to its shareholders made by a joint company owned as two-thirds by the Company and one-third by Jecco. The acquisition of Henshall, together with its subsidiary, Fliteform Limited ("Fliteform"), greatly increased the Group's aviation business. This part of the business has subsequently been developed by the acquisition by a subsidiary, Henshall Bonded Assemblies Limited ("Bonded Assemblies"), of a business which manufactures lightweight composite materials.

Shortly before the acquisition of Henshall, Henshall had itself acquired Mealstream (UK) Limited ("Mealstream"), patent rights for a range of ovens and certain related assets.

In 1980 the Company acquired from Mr. R. MacDonald-Hall and his family their interests in Jecco, which included its one-third holding in Henshall. In 1982 the corporate structure of the Group was reorganised and the Company changed its name to AIM Group PLC.

BUSINESS

Since 1978 a rationalisation programme has been completed to separate the activities of the enlarged Group into three principal divisions: aviation, mechanical and electrical contracting and oven manufacture.

The relative contributions of the three divisions to turnover and profits before tax in the four financial years ended 30th April, 1981 and in the six months ended 31st October, 1981 were as follows:-

	Year ended 30th April				Six months ended 31st October	
	1978 £'000	1979 £'000	1980 £'000	1981 £'000	1981 £'000	1981 £'000
Turnover						
Aviation	1,116	3,705	5,783	6,632	3,353	
Mechanical and electrical contracting	1,941	2,211	1,774	3,089	2,108	
Micro-oven manufacture	—	318	533	411	217	
TOTAL	3,057	6,234	8,090	10,132	5,678	

Profits before tax

	Year ended 30th April				Six months ended 31st October	
	1978 £'000	1979 £'000	1980 £'000	1981 £'000	1981 £'000	1981 £'000
Aviation	264	208	887	1,437	1,011	
Mechanical and electrical contracting	120	81	109	221	106	
Micro-oven manufacture	—	16	41	47	16	
TOTAL	384	381	1,037	1,705	1,133	

Aviation

This division comprises Henshall, Fliteform, Jecco and Bonded Assemblies and provides an integrated service covering the initial design stage, stress analysis, manufacture, installation, technical support and maintenance of complete aircraft cabin interiors, including equipment and associated hardware, soft furnishings and trim.

The aviation division companies and products are certified where relevant under appropriate engineering standards established by the United Kingdom Civil Aviation Authority, the Ministry of Defence and the Federal Aviation Administration in the United States of America.

Each of the four companies within the aviation division retains its own identity and distinct customer base, although their activities complement each other. The scope of the service to customers combined with the adaptability of its products enables the aviation division to cover the full extent of the aircraft cabin interior market from the commercial airlines and major aircraft manufacturers to military and private aircraft users. The market includes refurbishment and spares as well as the supply of equipment for new aircraft. Customers of the aviation division include the Ministry of Defence; a large number of the world's international airlines; major aircraft manufacturers; and equipment suppliers such as Martin-Baker Engineering, Plessey and EMI Electronics.

The proportion of sales in any one year to individual customers is dependent on the size and timing of particular contracts undertaken. This is especially true of sales to international airlines. Of the aircraft manufacturers, Boeing, British Aerospace, Westland Aircraft and Short Brothers are important customers. However, in the last two financial years, no customer has accounted for more than twenty-five per cent. of the division's turnover.

The proportion of sales in any one year exported from the United Kingdom is affected by the timing of contract completions and delivery dates and can therefore vary significantly from year to year. However, aggregate exports during the last three completed financial years amounted to 8 per cent. of the division's turnover.

Henshall operates from factory premises in Byfleet, Surrey. Principal products designed and manufactured are:-

- wide and narrow bodied aircraft galleys, together with insert equipment including warming ovens, high temperature ovens, beverage containers and water boilers;
- cabin service equipment, including a complete range of trolleys for meal service, duty free goods and waste;
- aviation sheetmetal components, aircraft interior doors, light structural parts, aerodynamic fairings, avionics racks, ductings and seat frames.

The galley systems, cabin service equipment and components are sold to civil aircraft manufacturers, the major British airlines and many European and international airlines. Henshall galley systems are installed in all British Airways Concorde and L1011 TriStars. Other aircraft fitted with Henshall galley equipment include BAe 146 and Boeing 727 and 737. Galley equipment for the new Boeing 757 is currently in production and Henshall has recently been awarded a contract by British Caledonian, to supply galleys for its A310 Airbus fleet.

Fliteform operates from factory premises at Heathrow Airport where it designs and manufactures a range of civil aircraft interior furnishings and equipment. In addition, Fliteform supplies specialist and custom-made products, individually manufactured to meet particular requirements and specifications for private, business and commuter aircraft.

Principal products are:-

- aircraft cabin interiors, narrow bodied aircraft galley units, cabin service centres, on-board aircraft lounge units and in-flight catering equipment;
- overhead storage modules;
- galley catches and attachment fittings, locks and retainers, seat accessories and baby cots;
- aircraft floors, bulkheads and bulkhead attachment fittings.

Recent contracts have included first class compartment bar units for Lufthansa in their Boeing 747s and for Gulf Air in their L1011 TriStars. "Fliteform" overhead storage modules have been fitted in over four hundred civil aircraft throughout the world. Fliteform is the exclusive supplier of galleys to Short Brothers for their SD-330 and SD-360 commuter aircraft. A significant part of Fliteform's business consists of providing custom-designed and built interiors for privately owned aircraft and helicopters.

Jecco operates from premises in Bournemouth and designs and supplies soft furnishings and upholstery for aircraft interiors and external protective coverings. Jecco's principal products, supplied to both military and civil aircraft and helicopter manufacturers, are:-

- pilot and passenger seat cushions, soundproofing panels and interior trim, mainly for helicopters;
- tropical and winter protective covers for aircraft, helicopters, radar ground equipment, aircraft probes and intake blanks and also map and instrument cases;
- survival and dinghy packs, and harness equipment for Martin-Baker ejector seats.

AIM GROUP PLC

Jecco is the main supplier to Westland Aircraft of soundproofing and soft trim for all its helicopters. Jeco is also a main contractor for the manufacture of weatherproof covers for the Ministry of Defence for such aircraft as Tornado, Harrier, Jaguar and Hawk. In addition, Jeco supplies soft furnishings and trim for Fliteform's custom-built interiors.

Bonded Assemblies operates from factory premises in Cambridge and manufactures lightweight sandwich panels, vacuum-formed plastic components and lightweight bonded assemblies which combine the strength and rigidity of conventional materials with a considerable weight saving.

Bonded Assemblies' products are particularly directed towards applications where it is important to maximise fuel savings by extensive use of lightweight materials. Apart from companies in the aviation industry (including other companies in the Group's aviation division) Bonded Assemblies' products are supplied for use in radar and other high technology installations, railway coach building and the racing car industry.

Cooks, based in Southampton and Tunbridge, designs, installs and maintains heating, air-conditioning, refrigeration, electrical and fire-protection systems. The most important feature of Cooks' business and reputation is its ability to offer customers complete coverage of these building services within one contract. Among the customers with whom the company has long established relationships are British Telecom, Trusthouse Forte, J. Sainsbury, Tesco and Grand Metropolitan.

Among the contracts recently completed have been works at the new London Metal Exchange, at the Waldorf Hotel and at a number of telephone exchanges for British Telecom.

Mealstream operates from factory premises in Crawley and designs and manufactures the patented range of cooking ovens for commercial use known as "micro-oven" ovens which incorporate both microwave and convection principles. The micro-oven ovens cook faster than a micro-wave oven with, in addition, the improved taste and appearance of food cooked in a conventional oven, thereby overcoming one of the major shortcomings of the normal micro-wave process.

Customers for the micro-oven ovens now include Trusthouse Forte, the Ministry of Defence and British Rail, which has over 150 micro-oven units in use on trains including the High Speed Train. Further research has resulted in the recent development of a smaller and cheaper micro-oven oven with, the Directors believe, a broader range of applications, for example, small restaurants, public houses and fast-food establishments. A significant volume of Mealstream's business derives from the rental of micro-oven ovens on five year contracts.

State Boilers (UK) Limited ("State Boilers"), a recently incorporated subsidiary based in Eastleigh, Hampshire, commenced the importation and distribution of direct-fired water heaters from the United States in November, 1981. Initial trading experience has been satisfactory and the Directors are hopeful that this activity will make a useful contribution to profits.

MANAGEMENT AND EMPLOYEES

Directors
Robert MacDonald-Hall, aged 66, established the Company in 1970 and is the executive Chairman of the Group. He has had considerable experience in aviation.

Jeffrey Smith, aged 36, is the Group Chief Executive and has been a Director of the Company since its incorporation in 1970. His responsibilities include overall financial management and control.

Caspar MacDonald-Hall, aged 31, is the Group Sales Director and has been with the Company since its incorporation in 1970 and a Director since 1973.

Robert Green, aged 34, is a Chartered Accountant who joined the Company in 1978 from Rothman Pantall & Co., the Joint Auditors. He is the Financial Director and Company Secretary, having been appointed to the Board of the Company in 1982.

John Smith, aged 57, is a Chartered Engineer and has wide experience of design and engineering in the aviation industry. He has been Managing Director and Chief Designer of Fliteform since the company was formed in 1961 and a director of Henshall since 1978. He was appointed to the Board of the Company in 1982.

Each of the Directors is employed under a service agreement, details of which are set out in paragraph 5 of "Statutory and general information" below.

Organisation and management

The Board of the Company is responsible for Group policy decisions and the overall Group administrative and management functions. Representatives of the Board of the Company sit on the Boards of all subsidiaries to monitor the progress of each company and to co-ordinate Group strategy.

The day-to-day executive direction of each of the operating subsidiaries is delegated to the management of that subsidiary, which has its own accounting system and forms an independent profit centre. However, either the Group Chief Executive or the Group Sales Director is involved in the tendering for, and negotiation of, all major contracts, and monthly cost statements for each major contract are prepared for the Directors of the Company.

Senior management

The directors of the principal operating subsidiaries, some of whom are employed under fixed term service agreements of five years, and excluding those Directors of the Company who are also subsidiary company directors, are as follows:-

Name	Age	Years of service	Position
HENSHALL			
G. C. J. Mattingley	46	20	Engineering Director
V. J. Chennel	54	20	Technical Director
L. R. Mercer	33	3	Financial Director
FLITEFORM			
G. C. G. Saunders	57	21	Works Director
JECCO			
S. O. McDonald, A.C.I.S., M.B.I.M.	31	9	Commercial Director
C. R. Winterton	62	29	Technical Director
Mrs. D. M. Budd	53	24	Personnel Director
BONDED ASSEMBLIES			
G. C. J. Mattingley	46	20	Engineering Director
COOKS			
A. M. Darby	42	27	Joint Managing Director
D. Richards, A.C.I.M.A.R.E., M.INSTR., M.A.S.H.R.A.E.	55	6	Joint Managing Director
S. R. Jelley, M.C.I.B.S.	39	7	Technical Director
MEALSTREAM			
L. R. Mercer	33	3	Managing Director
G. C. J. Mattingley	46	20	Engineering Director
STATE BOILERS			
D. G. Barwood, M.L.B.E., M.INSTR.FUEL	52	25	Managing Director
D. Binge	34	—	Sales Director

Employees

As at 26th February, 1982 the Group had 491 employees distributed as follows:-

Aviation	400
Mechanical and electrical contracting	70
Micro-oven manufacture	21
Total	491

Employees belong to a variety of trade unions: the National Union of Sheet Metal Workers and the Transport and General Workers' Union are mainly represented. With the single exception of the national engineering unions' strike in 1979, there has not been a significant strike within any of the companies of the Group and industrial relations are good.

Fifty-seven of the employees have had fifteen or more years of service with the Group. Twenty-four of the employees are undergoing training either as apprentices or industrial trainees. Employees are encouraged to attend external courses where appropriate. Each company within the Group has its own salary structure.

Henshall, Fliteform and Mealstream operate insured contributory pension schemes open to all relevant employees with one year's permanent service. Employees of the remaining subsidiaries are contracted into the State Scheme.

GROUP PROPERTIES

The premises from which the Company and its subsidiaries operate are described in paragraph 3 of "Statutory and general information" below.

Conway Relf, Chartered Surveyors, have carried out a valuation of these premises as at 31st October, 1981 on the basis of open market value. The valuation of the freehold and leasehold properties amounted to £1,129,500 and £15,500 respectively totalling £1,145,000.

The audited accounts as at 31st October, 1981 have been adjusted to incorporate the surplus arising from the revaluation of the freehold properties when compared with book value. No account has been taken of the contingent liability to tax of £230,000 on gains which might arise on the disposal of these properties at valuation.

PROCEEDS OF THE ISSUE

Of the 4,000,000 Ordinary shares which are the subject of this Offer for Sale, 500,000 are new Ordinary shares being issued by the Company for cash. The proceeds of the issue of these new shares, after deducting the expenses payable by the Company, will raise approximately £340,000 of additional working capital. The consolidated net tangible assets of the Group, based on the audited consolidated balance sheet at 31st October, 1981 and after adjustment for the net proceeds of the new shares being issued, will be £378 million.

Taking into account the net proceeds of the issue and the banking facilities available to the Group, the Directors are of the opinion that the Group has adequate working capital for its present requirements.

PROFIT RECORD AND FORECAST

The growth in turnover and profit of the Group over the five years ended 30th April, 1981 (as set out in the Accountants' Report below) and the forecast profit for the year ending 30th April, 1982 are summarised below:-

Year to 30th April	Turnover £'000	Profits before tax £'000
1977	1,777	141
1978	3,057	354
1979	6,234	281
1980	8,090	1,037
1981	10,132	1,705
1982 (forecast)		2,200

The acquisition of Henshall and its subsidiaries, completed in September, 1978, called for considerable management time to reduce overheads, increase turnover and restore profitability. However, during the financial year ended 30th April, 1980, the reorganisation and integration of Henshall and its subsidiaries was successfully completed and led to a rapid growth in profits.

For the financial year ended 30th April, 1981 strict management control and the policy of expanding the Group's customer base together produced a full workload and a significant improvement in productivity and profitability. In addition, the Group's indebtedness was materially reduced with a consequent saving in interest charges.

These factors have continued into the current financial year and profit and turnover have shown further growth. Based on the profit earned in the half year to 31st October, 1981 and the principal assumption that is set out in the section headed "Profit forecast" below, the Directors forecast that, in the absence of unforeseen circumstances, the Group profit before taxation for the year ending 30th April, 1982 will be not less than £2,200,000.

On the basis of the number of Ordinary shares which will be in issue following this Offer for Sale, the forecast profit after provision for corporation tax at the rate of 52 per cent, adjusted as if interest at 13 per cent per annum on the net proceeds of the new shares had been received for the whole year, represents earnings per share of 10.26p. At the Offer for Sale price of 140p per share, this implies a price-earnings ratio of 13.6 times. It is estimated that the actual provision for corporation tax will be at the rate of 47 per cent.

The Group has prepared Current Cost Accounts for the six months ended 31st October, 1981. These are set out in the "Accountants' Report" below. The net effect of the current cost operating adjustments and the gearing adjustment is to reduce historical cost profit before tax for this period by 8 per cent.

DIVIDENDS

The Board has not previously recommended the payment of Ordinary dividends. Following the Offer for Sale, and in the absence of unforeseen circumstances, the Directors intend to recommend for payment in or about September, 1982 a final dividend of 3.25p per share in respect of the year ending 30th April, 1982. This would be the first dividend payable by the Company after the Offer for Sale.

In respect of a full year in which a level of profit similar to that forecast in this document were earned, the Directors would expect to recommend dividends totalling 5.75p per share payable approximately as to one-third as an interim dividend in March and the remainder as a final dividend in September. On the basis therefore of a total dividend of 5.75p per share (excluding the associated tax credit) dividends would be covered 1.75 times and would represent a gross yield of 5.37 per cent, on the Offer for Sale price of 140p per share.

Mr. J. C. Smith and Mr. C. MacDonald-Hall have waived their entitlement to dividends in respect of the year ending 30th April, 1982 on the shares being retained by them except for a nominal 0.1p per Ordinary share. If they were to waive their dividend entitlement in respect of a full year in which a level of profit similar to that forecast in this document were earned, then on a similar basis to that set out above the dividends paid to other shareholders would be covered 4.46 times.

PROSPECTS

The Directors believe that within the markets in which the Group operates there is ample opportunity for the Group to expand and to continue the growth in profit achieved in recent years, both by acquisition, where appropriate, and by development of the existing businesses.

The mechanical and electrical contracting division will continue to develop new markets for its services both within the United Kingdom and overseas.

Micro-oven ovens have attracted considerable interest since the launch of the new range in January of this year. The Directors intend to continue to support the product development of the micro-oven oven division so that new markets and applications can be identified and exploited.

The aviation division is expected to continue as the central and most profitable aspect of the Group's future activities. The largest part of the division's activity relates to the civil aircraft market where recent forecasts indicate prospects for a significant expansion in the market for new civil aircraft in the next decade. This expansion, encouraged by demands for fuel economy and noise reduction, is expected to derive partly from the replacement of aircraft and partly from the growth in the market for commuter feederliner aircraft. The remainder of the division's turnover derives from defence spending by Western governments, notably the United Kingdom, the United States and other members of the NATO alliance, which the Directors expect to be sustained.

In recent years particular efforts have been made to widen the scope of the aviation division's business. The number of major customers has been considerably increased, thus generating a greater level of recurring work and spares orders. An increased proportion of civil work now relates to refurbishment of aircraft interiors and the division is well placed to take advantage of the forecast expansion in demand for new aircraft. The order book is at a high level with an export content of 12 per cent. The spread of customers and the relative proportions of new business and repeat orders demonstrate the quality of the aviation division's earnings.

ACCOUNTANTS' REPORT

The following is a copy of a report to the Directors of the Company and the Directors of County Bank Limited made by Binder Hamlyn, Chartered Accountants, and Rothman Pantall & Co., Chartered Accountants, the Joint Auditors and Joint Reporting Accountants:-

The Directors:
AIM GROUP PLC
COUNTY BANK LIMITED
18th March, 1982

REPORT ON THE AUDITED ACCOUNTS FROM 15th MAY, 1976 TO 31st OCTOBER, 1981

AIM Group PLC ("the Company") was incorporated as F. W. Cook (Mechanical Services) Limited on 18th February, 1970. The Company operates as a holding company having transferred its trading assets and business, which comprised mechanical and electrical contracting, in a recently incorporated company which has since acquired the name F. W. Cook (Mechanical Services) Limited.

The Company acquired for cash a number of subsidiaries during the period covered by this report. Some subsidiaries were acquired from certain of the present Directors and their family interests while the remainder was acquired from third parties. Where subsidiaries were acquired from certain of the present Directors and their family interests the financial information set out below is presented as if they had been subsidiaries throughout the period. Information concerning the remaining subsidiaries has been included from the dates of their acquisition.

Details of subsidiaries acquired from certain of the present Directors and their family interests are as follows:-

- The C Group Limited ("C Group") was acquired on 30th April, 1980 for a cash consideration of £450,000 and additional consideration of £256,000 conditional upon the sale of the Company's securities being admitted to listing on any recognised stock exchange prior to 30th April, 1983. The principal subsidiary of C Group was John E. Clarke & Co. (Bournemouth) Limited. On 24th February, 1982, C Group changed its name to John E. Clarke & Co. (Bournemouth) Limited and acquired the business and assets of its subsidiary.
- Jetsets Limited ("Jetsets") was acquired in November, 1979 for a cash consideration of £50,000.
- F. W. Cook (Refrigeration & Air Conditioning) Limited was acquired in April, 1981 for a cash consideration of £166,000.

No national interest cost on the purchase considerations paid to the vendor Directors and their family interests has been included in the financial information set out in this report in respect of periods prior to acquisition by the Company.

Subsidiaries acquired from third parties are as follows:-

- W. Henshall & Sons (Addleston) Limited ("Henshall") with its subsidiaries, Fliteform Limited ("Fliteform"), Mealstream Limited and Henshall Bonded Assemblies Limited was acquired as a result of a general offer to its shareholders in May, 1978. Henshall was formerly listed on the Stock Exchange. Fliteform has since acquired the business of the subsidiary Jetsets which is now dormant.
- J.D.A. Partners (Bonding Laminators) Limited was acquired in December, 1980.
- Magnetising Techniques Limited was acquired in May, 1981.

Following a group reorganisation on 24th March, 1982, all trading companies have become direct subsidiaries of the Company with the exception of J.D.A. Partners (Bonding Laminators) Limited and Magnetising Techniques Limited.

We have examined the audited accounts of the Company and its subsidiaries (together called "the Group") from 15th May, 1976 to 31st October, 1981. The financial information which has been prepared under the historical cost convention as modified by the revaluation of freehold properties, gives a true and fair view of the state of affairs of the Company at 31st October, 1981 and of the Group at each balance sheet date from 30th April, 1977 to 31st October, 1981 and of the profits of the Group for the period 15th May, 1976 to 31st October, 1981 and of the source and application of funds of the Group for the period 15th May, 1976 to 31st October, 1981 on a consistent basis.

In our opinion, the abridged supplementary current cost statements for the six-month period ended 31st October, 1981 have been properly prepared in accordance with the policies and methods described in the notes to give the information required by Statement of Standard Accounting Practice No. 15.

No audited accounts of the Company have been prepared since 31st October, 1981.

ACCOUNTING POLICIES

The principal accounting policies, which have been consistently applied in preparing the financial information in this report, are as follows:-

- Cost of accounting**
The accounts have been prepared under the historical cost convention modified by the revaluation of freehold properties.
- Consolidation**
(a) Basis of consolidation
The accounts of all subsidiary companies are prepared to the same accounting date as the Company. When companies are acquired the purchase consideration is allocated to the underlying net assets acquired and the difference between the net assets and the purchase consideration is dealt with as capital reserve or goodwill on consolidation.
(b) Turnover
Turnover, which excludes value added tax, represents:
(i) sales to third parties for completed work;
(ii) movement in work in progress in respect of long term contracts; and
(iii) revenue in respect of assets leased to customers.
(c) Stock and work in progress
Stock and work in progress are valued at the lower of cost and net realisable value. Provision is made for obsolescence and for slow-moving items.
The cost of work in progress and finished goods comprises materials, production labour and production overheads appropriate to the state of manufacture. In the case of long term contracts where it is possible to estimate the amount of accrued profit with reasonable certainty the attributable profit is taken into account, but provision is made for any known or anticipated losses in respect thereof.
- Fixed assets and depreciation**
Fixed assets are stated at original cost to the Group less accumulated depreciation, with the exception of freehold properties which were revalued as at 31st October, 1981. Depreciation is calculated to write off fixed assets in equal annual instalments over their estimated useful lives as follows:-
Freehold buildings Between 25 and 40 years
Leasehold property Amortised over term of lease
Motor vehicles 5 years
Plant and machinery Between 5 and 15 years
Furniture and fittings 10 years
Rental assets 5 years
Helicopter 5 years
- Deferred taxation**
Deferred taxation is provided on the liability basis except where the Directors are satisfied that no amount will become payable to the tax authorities.
No provision is made for taxation which might be payable in the event of the disposal of freehold properties at the amounts at which they are stated in the accounts.
- Foreign currencies**
Foreign currency assets and liabilities are translated at rates ruling at the year-end. Profits and losses on the exchange of foreign currencies arising during the year on normal trading transactions are included in cost of sales.

GROUP PROFIT AND LOSS ACCOUNTS

The Group profits for the period under review are as follows:-

Notes	1977	1978	1979	1980	1981	6 months ended 31st October 1981
Turnover	1,777	3,057	6,234	8,090	10,132	5,678
Cost of sales	1,615	2,658	5,782	6,845	8,318	4,549
Operating profit	162	399	452	1,245	1,814	1,129
Interest payable/(receivable)	20	15	161	238	103	(4)
Profits before taxation	142	384	291	1,007	1,711	1,125
Taxation	4	85	88	90	102	531
Retained profits attributable to shareholders	138	299	203	917	1,609	602
Earnings per share	0.5p	3.0p	1.9p	9.4p	10.6p	6.0p

STATEMENTS OF NET ASSETS

Statements of net assets of the Company and of the Group at 31st October, 1981 and at 31st October, 1980 and 31st October, 1977 to 1981 are set out below:-

Company	1977	1978	1979	1980	1981	31st October 1981
At start of year	2,700	4,700	4,000	4,700	4,700	4,700
1,113	201	218	1,465	1,460	1,444	1,410
1,409	—	—	—	—	—	—
1,552	—	—	—	—	—	—
639	401	469	1,814	2,879	3,215	3,285
613	369	547	1,437	3,316	1,791	2,300
10	—	—	—	—	—	—
1,515	11	571	1,586	3,219	3,224	3,279
1,304	541	571	1,586	3,219	3,224	3,279
4	91	159	146	102	68	1,204
1,168	142	100	1,730	1,489	47	—
1,168	774	850	2,032	4,364	3,888	3,782
207	—	213	216	570	1,051	1,057
(12)	(56)	(67)	(98)	(97)	(89)	(89)
14	(39)	(35)	(36)	(36)	(29)	(29)
1,747	117	418	1,671	1,717	2,200	2,200

Since 31st October, 1981 the trading assets of the Company have been transferred to a new subsidiary (named F. W. Cook (Mechanical Services) Limited).

GROUP STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

The source and application of funds of the Group for the year ended 30th April, 1981 and the six months ended 31st October, 1981 are as follows:-

	Year ended 30th April, 1981	6 months ended 31st October, 1981
Source of funds		
Profits before taxation	1,705	1,125
Depreciation	181	102
Generated from operations	1,886	1,227
Sale of fixed assets	85	—
1,971	1,227	
Application of funds		
Purchase of fixed assets	433	206
Purchase of subsidiaries	386	—
Taxation paid	688	531
1,507	737	
Increase/(decrease) in working capital	464	490
Stock and work in progress	(37)	(4)
Debtors	286	286
Creditors	(578)	(578)
Increase/(decrease) in net liquid funds	1,418	1,200
Bank overdrafts	(100)	(100)
Cash and bank balances	1,518	1,300
British Government securities	—	—
1,518	1,300	

NOTES TO THE GROUP ACCOUNTS

Year ended 30th April, 1981 and 1980 and 31st October, 1981 and 1980

1. Analysis of turnover and profits before taxation:-

	1977	1978	1979	1980	1981	31st October 1981
Turnover	1,777	3,057	6,234	8,090	10,132	5,678
Aviation	843	1,115	2,705	3,783	4,632	3,388
Mechanical and electrical contracting	834	1,941	2,211	1,774	3,688	2,188
Micro-oven manufacture	—	—	118	533	411	107
1,777	3,057	6,234	8,090	10,132	5,678	
Profits before taxation	142	384	291	1,007		

AIM GROUP PLC continued

On 30th November, 1981 the authorised share capital of the Company was increased to £20,000 by the creation of a further 60,000 Ordinary shares of £1 each, which were issued by way of capitalisation of reserves.

On 18th March, 1982 the authorised share capital of the Company was increased to £21,250,000. Following the subdivision of the £1 Ordinary shares into 10p Ordinary shares, 9,200,000 Ordinary shares were allotted by way of capitalisation of reserves to existing shareholders on the basis of 33 new Ordinary shares of 10p each for every two existing Ordinary shares of 10p each, thus increasing the total number of Ordinary shares issued to 20,000,000.

No dividends were declared or paid by the Company during the relevant period.

14. Mortgage loans
Two loans amounting to £26,000, which are repayable in 1983 and 1984, are secured on a freehold property and life insurance policies on the lives of two Directors.

15. Deferred taxation
The potential deferred taxation liabilities and provisions at 31st October, 1981 are set out below:

	Company	
	Estimated deferred taxation	Provision
Accelerated capital allowances	£700	£700
On capital gains which would arise if freehold properties were realised at their balance sheet values	200	12
	878	88

16. Capital commitments
Neither the Company nor the Group had any material capital commitments at 31st October, 1981.

17. Contingent liabilities
At 31st October, 1981 the Company had given a counter-indemnity for £150,000 in respect of finance granted to a property development company. The Group will receive a fee in respect of this counter-indemnity and the Directors consider that no liability will arise.

ABRIDGED SUPPLEMENTARY CURRENT COST STATEMENTS

Group current cost profit and loss account for the 6 months ended 31st October, 1981

	Notes	1981	1980
Historical cost profit before interest and taxation		1,129	1,129
Current cost operating adjustments:			
Depreciation	2	68	68
Working capital	3	89	89
		127	127
Gearing adjustment			
Interest receivable less payable	4	29	29
		4	4
Current cost profit before taxation		33	33
Taxation		531	531
Retained current cost profit attributable to shareholders	7	608	608
Current cost earnings per share		5.1p	5.1p
Summarised Group current cost balance sheet at 31st October, 1981			
Fixed assets	2/5	£700	£700
Net current assets		2,434	2,434
Working capital	3		
Stock and work in progress		2,606	2,606
Monetary working capital		(43)	(43)
Other current liabilities (net)		2,653	2,653
		(85)	(85)
Mortgage loans		36	36
Deferred taxation		86	86
		1,670	1,670
		4,104	4,104
Share capital			
Reserves			
Current cost reserve	6	680	680
Other reserves	7	3,323	3,323
		3,993	3,993
		4,012	4,012

NOTES TO THE CURRENT COST STATEMENTS

1. Accounting policies
The accounting policies applied in the current cost accounts are those used in the accounts prepared under the historical cost convention except for modifications required to comply with Statement of Standard Accounting Practice No. 16.

Stock and work in progress is included at current replacement cost as are fixed assets (after deducting depreciation).

The six months to 31st October, 1981 is the first period for which the Group has prepared current cost accounts and therefore comparative figures are not available.

2. Fixed assets and depreciation
The gross current replacement cost of fixed assets has been derived as follows at 31st October, 1981:

Freehold property - Professional valuation by the Directors and management; in certain instances Government indices have been applied to the historical costs.

The depreciation adjustment is the difference between depreciation based on the current replacement cost of fixed assets and the depreciation charge based on historical cost.

3. Working capital
This includes stocks, work in progress and trade debtors less trade creditors. In order to allow for the impact of price changes on the basis of the historical cost convention, the working capital is calculated on a current cost basis. It is based on movements in various Government price indices appropriate to the separate trading activities within the Group.

4. Gearing adjustment
This reduces the other current cost adjustments in the proportion that net operating assets are financed by outside borrowings as opposed to share capital and reserves.

5. Fixed assets

	Gross current replacement cost	Depreciation	Net current replacement cost
Land and buildings	£700	£700	£0
Other fixed assets	2,208	1,188	1,020
	2,908	1,888	1,020
	3,992	1,953	2,039

6. Movement on current cost reserve

	£700	£900
Balance at 1st May, 1981		557
Revaluation surplus reflecting price changes in the period		(2)
Fixed assets		10
Stock and work in progress		122
Current cost operating adjustments		(22)
Gearing adjustment		650
Balance at 31st October, 1981		680

7. Movement on other reserves

	£700	£679
Balance at 1st May, 1981		509
Retained current cost profit for the period		(5)
Arising on acquisition of subsidiary		(2)
Surplus on revaluation of properties		243
Balance at 31st October, 1981		339

Yours faithfully,
BINDER HAMLYN,
Chartered Accountants

BOTHMANPANTALL & CO.,
Chartered Accountants

PROFIT FORECAST

The principal assumption relating to, and letters on, the profit forecast are as follows:

(a) **Principal assumption**
The profit forecast of the Group for the year ending 30th April, 1982 is based on the audited results for the six months ending 30th April, 1982, set out in the Offer for Sale dated 18th March, 1982. It is assumed that the remainder of the financial year will be no different to the six months ended 30th April, 1982, and subsequent management information.

In our opinion, the profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the principal assumption set out in the Offer for Sale dated 18th March, 1982 and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,
BINDER HAMLYN,
Chartered Accountants

BOTHMANPANTALL & CO.,
Chartered Accountants

STATUTORY AND GENERAL INFORMATION

1. Share capital of the Company
The Company was incorporated in England as a private company on 12th February, 1970 under the name of F. W. Cook (Mechanical Services) Limited. On 25th January, 1982, the Company was re-registered as a public company and its name was changed to AIM Group PLC on 12th February, 1982.

On 18th March, 1982 the authorised share capital of the Company was £20,000, divided into 20,000 Ordinary shares of £1 each, all of which were issued and fully paid. On 30th November, 1981 the authorised share capital was increased to £20,000 by the creation of a further 60,000 Ordinary shares of £1 each, which were issued by way of capitalisation of reserves, on the basis of 33 new Ordinary shares for every two existing Ordinary shares then held.

By or pursuant to Special Resolutions passed on 18th March, 1982:

(a) the authorised share capital was increased by £1,250,000 by the creation of an additional 11,700,000 Ordinary shares of 10p each;

(b) each existing Ordinary share of £1 each was sub-divided into 10 Ordinary shares of 10p each;

(c) 9,200,000 Ordinary shares of 10p each were allotted by way of capitalisation of reserves to existing shareholders on the basis of 33 new Ordinary shares of 10p each for every two existing Ordinary shares of 10p each;

(d) the Board was generally and unconditionally authorised, pursuant to Section 14 of the Companies Act 1980, for a period of five years from 18th March, 1982, to allot authorised shares up to a maximum amount of £1,170,000; and

(e) the Board was empowered, pursuant to Section 10 of the Companies Act 1980, to allot, pursuant to the authority contained in (c) above, 9,200,000 new Ordinary shares to County Bank Limited in accordance with the sale and subscription agreement referred to in paragraph 6 below as if Section 17(1) of that Act did not apply.

As part of arrangements referred to in paragraph 7 below for the acquisition by the Company of the whole of the issued share capital of John E. Clarke & Co. (Bournemouth) Limited (then called "The O Group Limited") and E. W. Cook (Refrigeration & Air Conditioning) Limited:

(a) on 30th April, 1980, John E. Clarke & Co. (Bournemouth) Limited issued to the existing shareholders, Mrs. R. MacDonald-Hall and Mrs. C. MacDonald-Hall, 200 Ordinary shares of £1 each, by way of capitalisation of reserves; and

(b) on 29th April, 1981, E. W. Cook (Refrigeration & Air Conditioning) Limited issued to the existing shareholders, Mrs. J. C. Smith and Mrs. C. MacDonald-Hall, 5,000 Ordinary shares of 10p each by way of capitalisation of reserves.

Save as disclosed above:

(a) no share or loan capital of the Company or any subsidiary has been issued within the two years immediately preceding the date of this Offer for Sale or is now proposed to be issued fully or partly paid, either for cash or for a consideration other than cash;

(b) no commissions, discounts, brokerage or other special terms have been granted by the Company or any of its subsidiaries within the said two years in connection with the issue or sale of any share or loan capital of such company; and

(c) no capital of the Company or any of its subsidiaries is under option or a grant conditionally or unconditionally to be paid under option.

No material issues of shares of the Company (other than to shareholders pro rata to existing shareholdings) will be made within one year of the date of this Offer for Sale without the prior approval of the Company in General Meeting.

Following this Offer for Sale 2,000,000 Ordinary shares of 10p each of the Company will remain unissued but no issue of such shares which would effectively alter the control of the Company will be made without prior approval of the Company in General Meeting.

2. Articles of Association

The Articles of Association of the Company, adopted on 18th March, 1982, contain inter alia provisions to the following effect:

Voting rights
Subject to any terms as to voting upon which any shares may in the future be issued, or may for the time being be held, at any General Meeting every member present shall have one vote on a show of hands and, on a poll, every member shall have one vote for every 10p nominal amount of share capital of which he is the holder. The day nominated for the election of a director shall be the day on which the poll shall be taken.

(a) The giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which his himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which he or she is to be interested as a participant in the underwriting or sub-underwriting thereof;

(d) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he is not the holder of or beneficially interested in one per cent or more of any class of the ordinary share capital of such company (or of any subsidiary of such company) through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);

(e) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may be entitled to receive any pension or gratuity or other benefits, and conditional upon approval by the Board of Inland Revenue for taxation purposes; and

(f) any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the Director benefits in a similar manner to the employees.

(g) The Company may by Ordinary Resolution in General Meeting suspend or relax the above provisions in relation to any Director or any of its subsidiaries (exclusive of any company borrowing shall not exceed, except with the consent of the Company in General Meeting, an amount equal to twice the aggregate of the Adjusted Capital and Reserves of the Company and its subsidiaries, as defined in the Articles of Association.

(h) Unless otherwise determined by Ordinary Resolution the Directors shall not be less than three nor more than twelve in number.

(i) A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at General Meetings.

(j) The Directors (either than those who shall for the time being hold an executive office or employment under the Company or any subsidiary) shall be paid such remuneration for their services as may be determined by the Board save that, unless otherwise approved by the Company in General Meeting, the aggregate amount of such remuneration shall not exceed £200,000 per annum. Such remuneration shall be payable in cash or by way of bonus. The Directors shall also be entitled to be repaid by the Company all such reasonable travelling (including hotel and incidental) expenses as they may incur in attending meetings of the Board, or of committees of the Board, or General Meetings, or which they may otherwise properly incur in or about the business of the Company. Any Director who by reason of the Board's practice is prevented or hindered from attending any meeting of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

(k) The Directors may (by the establishment or maintenance of schemes or otherwise) pay or procure the payment of pensions, annuities, allowances, gratuities or other benefits or for the benefit of past or present Directors or employees of the Company or any of its subsidiaries or any company associated with, or dependent upon, any of them or to or for the benefit of persons who were related to or dependants of any such Directors or employees.

(l) No person shall be or become incapable of being appointed a Director by reason of his having attained the age of seventy or any other age, nor shall special powers be required in connection with the appointment of such person and no Director shall vacate his office at any time by reason of the fact that he has attained the age of seventy or any other age.

Borrowing powers

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiary companies so far as by such exercise it can be secured) that the aggregate amount for the time being remaining undischarged of all amounts borrowed (exclusive of any company borrowing) shall not exceed, except with the consent of the Company in General Meeting, an amount equal to twice the aggregate of the Adjusted Capital and Reserves of the Company and its subsidiaries, as defined in the Articles of Association.

3. Premises

The principal premises owned and occupied by the Company and its subsidiaries are as follows:

Location	Tenure	Lease expires	Annual rent	Floor area (sq. ft.)	Type of accommodation
100 Great Glass, Oyster Lane, Byfleet, Surrey	Freehold	—	—	35,000	Factory and offices
38 Woodham Lane, New Haw, Byfleet, Surrey	Freehold	—	—	5,180	Factory and offices
43 Woodham Lane, New Haw, Byfleet, Surrey	Freehold	—	—	4,425	Factory
230A Wingham Road, Bournemouth	Freehold	—	—	9,000	Factory and offices
178/178 Wingham Road, Bournemouth	Freehold	—	—	2,320	Workshop
79 Wingham Road, Bournemouth	Freehold	—	—	2,000	Store
19/21 Beacombe Grove Road, Bournemouth	Freehold	—	—	1,740	Store
Victoria House, Victoria Street, Northam, Southampton	Leasehold	August, 1994	£10,000 to be reviewed in 1984 and thereafter every 5 years thereafter	5,955	Factory and offices
179 High Street, Tisbury, Kent	Leasehold	October, 1983	£1,150	290	Offices
Mil Works, Mill Crescent, Tisbury, Kent	Leasehold	September, 1983	£3,500	1,100	Workshop and offices
Unit 2, Fleming Way, Crawley, Sussex	Leasehold	March, 2002	£7,800 to be reviewed in 1984 and every 5 years thereafter	2,180	Factory
Unit 3, Fleming Way, Crawley, Sussex	Leasehold	March, 2002	£8,780 to be reviewed in 1984 and every 5 years thereafter	2,385	Factory
Wimbury Industrial Estate, Cambridge Road, Milton, Cambridgeshire	Leasehold	February, 1993	£17,500 to be reviewed in 1984 and thereafter every 5 years thereafter (part-let)	13,500	Factory and offices
Spiffers Road, No. 2 Maintenance Area, Houghdown, Middlesex	Leasehold	November, 1987	£12,200 to be reviewed in 1983	15,355	Factory and offices
Unit 4, (Note), Tower Industrial Estate, Eastleigh, Hampshire	Leasehold	March, 2006	£10,044 to be reviewed in 1986	4,250	Factory and offices

Note: Acquired in March, 1982; not included in the valuation prepared by County Bank referred to above.

4. Directors and other interests

(a) Upon completion of this Offer for Sale, the interests, all of which are beneficial, of the Directors in the share capital of the Company (including any Ordinary shares which any of the Directors may purchase under the Offer for Sale) will be as follows:

Name of Director	Ordinary shares
Mr. R. MacDonald-Hall	—
Mr. C. Smith	3,250,000
Mr. C. MacDonald-Hall	3,250,000
Mrs. R. A. Green	—
Mrs. S. J. Smith	—

(b) Save as aforesaid, the Directors are not aware of any shareholding which will, immediately after the completion of this Offer for Sale, be held by any person in connection with the Company or any of its subsidiaries.

(c) Under the terms of the agreements dated 30th April, 1980 and 29th November, 1981 referred to in paragraph 7 below, the Company acquired the whole of the issued share capital of John E. Clarke & Co. (Bournemouth) Limited (then called "The O Group Limited").

(d) On 24th September, 1980, Mrs. J. C. Smith and Mrs. C. MacDonald-Hall jointly acquired for a nominal consideration 500,000 shares of 10p each in a new trading company whose shares were previously held by the Company and The O Group Limited (then called John E. Clarke & Co. (Bournemouth) Limited).

(e) On 29th April, 1981 the Company purchased from Mrs. J. C. Smith and Mrs. C. MacDonald-Hall the whole of the issued share capital of E. W. Cook (Refrigeration & Air Conditioning) Limited. This arrangement is summarised in paragraph 7 below.

(f) With effect from 18th March, 1981 the Company purchased 542 acres of forest land at Audrobert, Leamington for the sum of £37,250. By a License dated 14th January, 1982 the Company agreed to lease such land for 10 years, until 31st March, 1992, to Mrs. C. MacDonald-Hall for the sum of £2,787 per annum in arrears. On 24th March, 1982 the Company contracted to sell the land, with the benefit of the lease, to Mrs. J. C. Smith and Mrs. C. MacDonald-Hall for the sum of £10,225 with completion of the purchase on 8th April, 1982.

(g) On 5th March, 1982 the Company acquired the issued share capital of Bate Rollers (UK) Limited from Mrs. J. C. Smith and Mrs. C. MacDonald-Hall for the sum of £1,000 in cash.

(h) Save as disclosed above and apart from four motor vehicles purchased by certain Directors, no Director of the Company, or has had or is to have any interest in any assets which, within two years before the date of this Offer for Sale, have been, are or are proposed to be acquired or disposed of or leased to, the Company or any subsidiary, and no contract or arrangement subsists in which a Director of the Company is materially interested and which is significant in relation to the business of the Company and its subsidiaries taken as a whole.

5. Directors' service contracts and emoluments

Mrs. R. MacDonald-Hall is employed under an agreement with the Company as its Chairman at a fixed annual salary of £28,000 for a period until 19th August, 1985 and thereafter, as a consultant to the Group on a twelve-month rolling contract ending on 19th August, 1987. Mrs. J. C. Smith and Mrs. C. MacDonald-Hall have each entered into service agreements with the Company for a period of five years from 12th May, 1980 at annual salaries of £20,000, £10,000 and £10,000 respectively. The Company has also entered into a service agreement with Mrs. S. J. Smith for a period of five years from 1st September, 1978 with current remuneration of £17,500. Save as aforesaid, no Director of the Company has a service agreement with the Company or any of its subsidiaries.

(b) The aggregate emoluments of the Directors for the year ended 30th April, 1982 amounted to £151,000. It is estimated that the aggregate emoluments of the Directors for the year ending 30th April, 1983 will amount to £220,000.

6. Sale and subscription agreement with County Bank Limited

County Bank Limited ("County Bank") has agreed, subject to the whole of the issued Ordinary shares of the Company being sold to County Bank Limited, to purchase from the Company 11,700,000 Ordinary shares of 10p each for the sum of £1,170,000. The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase. The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase. The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase.

The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase. The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase.

The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase. The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase.

The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase. The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase.

The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase. The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase.

The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase. The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase.

The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase. The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase.

The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase. The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase.

The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase. The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price shall be paid in cash at the time of completion of the purchase.

The purchase price shall be paid in cash or by way of a series of payments to be determined by the Company, but in any event not less than 10% of the purchase price

TECHNOLOGY

Geoffrey Charlish looks at Bosch's flexible automated line

Bolt-on method for production lines

A REMARKABLY comprehensive flexible automated assembly system developed by Bosch of Stuttgart, enabling virtually any size of manufacturing company to make a start in this field is to be manufactured and marketed in the UK, the Irish Republic and South Africa by Marwin Production Machines of Wolverhampton (0902 65363).

The system has been progressively developed by Bosch over several years and is widely used in its own plants to assemble automotive and consumer products. A modular

approach has been taken, with many standard items that can be assembled into a production line costing from £200 to in excess of £2m.

Companies starting in a small way can easily add workstations, manual or automatic, at a later date and none of the existing elements will become redundant.

Fundamental to the Bosch design is a constructional framework system that can meet any dimensional requirement and which can be broken down and reconfigured with great ease.

Several heavy duty aluminium extrusions are employed and the appropriate lengths are just cut off and bolted together with gussets and other joiners.

Double nylon belt pallet-carrying transportation systems (giving good pallet access from above or below) have also been developed, with robust pallet identification systems that can be read by the control computers.

Beyond this, however, Bosch has developed its own special servodrives units, several kinds of linear robots, drive and

transfer stations and has even tackled the computers and programmable controllers in-house.

According to Horst Kaufmann a sales executive of the Bosch industrial equipment division, about 80 per cent of all mechanically assembled products have an envelope less than 200 x 300 x 200 mm and weigh less than 5 kg, containing less than 20 components.

The new system can deal with a component of 300 x 300 x 300 mm, weighing 15 kg (soon to be upgraded to 25 kg), using a variety of pallet/conveyor widths.

handling work shared by a number of robots.

Bosch has a 2,000-strong industrial equipment division that designs and makes these components and systems for which managing director Dr Gerhard Wild believes there will be an increasing demand as world manufacturing conditions change.

He emphasises that because of widespread industrialisation in previously non-industrial countries, both markets and production life cycles are becoming smaller, complexity is increasing and markets have to be exploited at short notice with the high-quality products that are demanded nowadays.

Meanwhile, labour costs are rising—and it has to be remembered that assembly accounts for about 40 per cent of the wage bill.

Wild hints that Bosch, a prime component supplier to Europe's car makers, has been largely driven to flexible manufacturing systems.

"Often," he said, "we don't know what next year's products will be like—so there is a great need for re-usable machinery." This, he believes, is becoming truer by the minute for many other manufacturers as well. Stocks, too, must be kept lower to cut tied-up money.

Inevitably, believes Wild, production runs will become smaller, directly implying the need for flexible manufacturing systems of all kinds—although for the time being the company is steering clear of metal removal, preferring to put the assembly problem first.



The Magnascan scanner series.

Optical scanner for composition

CROSFIELD ELECTRONICS, the specialist in advanced printing technology, has built on its experience with its Queen's Award winning colour separation machine to launch a new series of page composition devices, the Studio 800.

What Crosfield has done is to develop machines which shorten the awkward and time-consuming business of preparing colour printing blocks from photographs.

Rather than using conventional filters to separate out the three primary printing colours, the Magnascan 570—the award winner—uses optical scanning techniques and stores the results as digitals.

The new family comprises

three levels—the 820, 840 and 860 which Crosfield describes as levels of capability rather than specific hardware configurations.

The first, the 820 is an enhanced Magnascan 570; this uses planing films to position the scanned images.

The 840 has a colour monitor and special software (computer instructions) which offer a number of image adjustments and colour retouching.

Top of the line 860 offers advanced colour retouching, air brushing and image rotation and resizing as standard.

Long term digital storage of the images can be provided on tape. More from Crosfield on 01-212 7766.

ALAN CANE

The piggy back chip

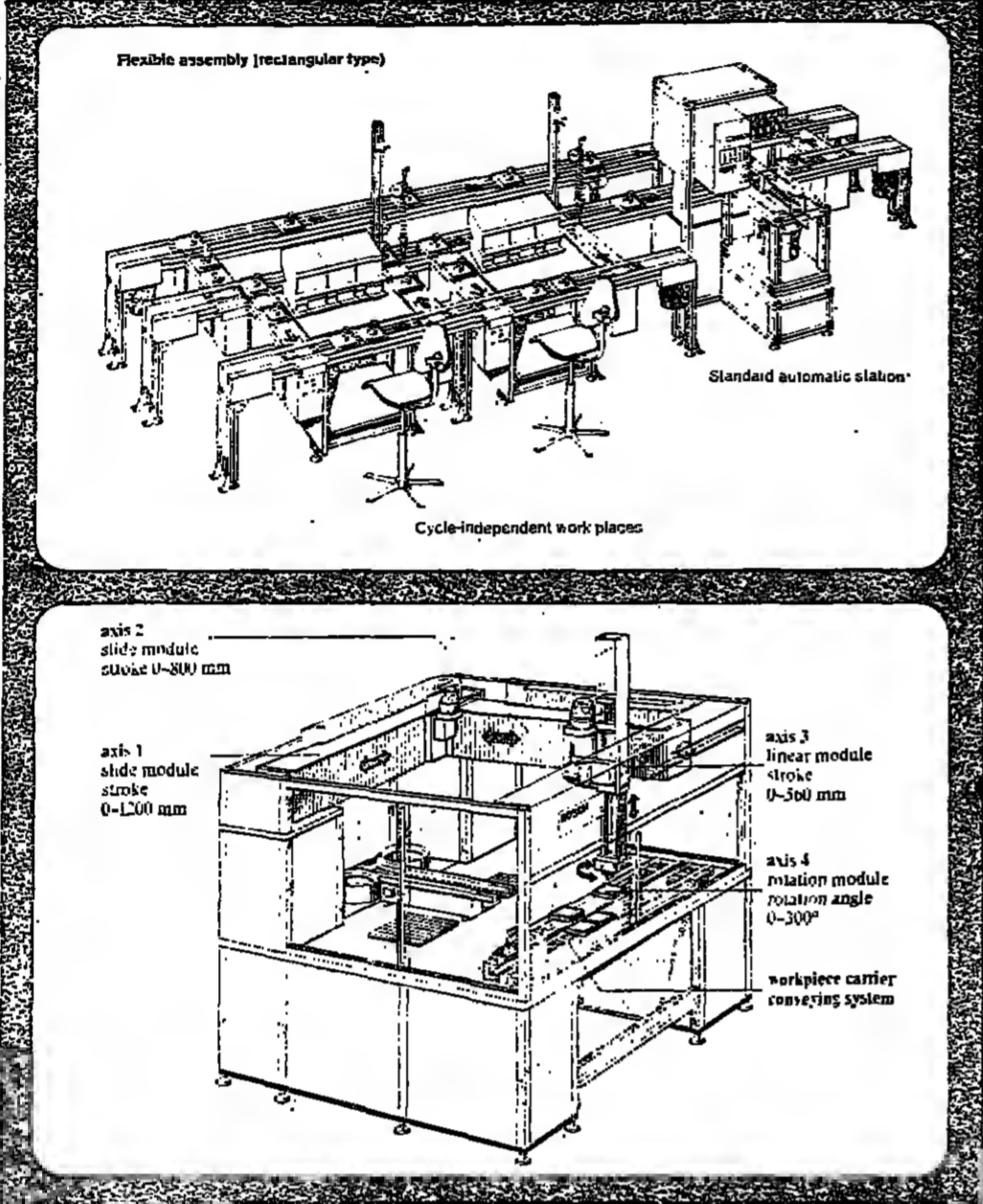
"MICROCHIPS have little chips upon their backs to byte on. And little chips have smaller chips and so on ad infinitum," as the poet might have said.

Hitachi's latest device conjures up whole new ways of building microcomputers. It is a microcomputer on a chip plugged in piggy back fashion.

The HD 68P01 is an eight bit, 6800 compatible device containing 128 bytes of fast access memory on the chip, together with a serial communications interface, three function 16 bit timer and 29 input/output ports.

Plug a 2K, 4K or 8K ultra violet light erasable electrical programme read only memory (EPROM) into its back and you have a complete microcomputer system.

Hitachi can explain more about its tall, thin microcomputers on 01-861 1414.



Built from standard components, this three station assembly line shows (top) how manual stations with buffers (to obviate the need for operators to work at precisely line speed) can be used in conjunction with a completely automatic station. One of Bosch's more advanced concepts is this four-axis rotatable unit (lower diagram). The vertical head (with grippers at the bottom) has up and down motion and moves from front to back on a gantry which slides from left to right. Thus the head can cover the whole base area of the unit, picking and placing items from various bowl feeders or other inputs. The vertical head is shown in the assembling position, where the rotational motion of the grippers can be seen.

All compatible

Complete transfer systems to bring the assembly on its pallet to the right place at the right time have been devised and in most of Bosch's own manual station applications buffer systems are incorporated so that operators are not forced to work at fixed line speeds. Several of the Bosch lines are completely automatic, with few personnel in sight.

Using electric or pneumatic actuators, a variety of handling and feeding facilities can be provided—magazines, chutes, bowl feeders, inclined feeders, even robots—to feed joining processes that include pressing, screw runners, rivets and welders.

Because these are all compatible in fixing/installation terms, it is possible to modify any line quickly for the number of assembly points and degrees of automation, or line with changing production requirements.

The simplest unit is a mechanised in-plant workstation, for assembly at a single point. Beyond that, a semi-automatic system with conveyor (multiple assembly points) can be contemplated which later could become fully automatic.

Similarly, start by employing the Bosch robot, a complex, single-point assembly unit can be constructed which could later be extended to a multi-point arrangement with the

National goal

The position has to be, claims Wild, that if any company in a particular market automates, the others will have to follow in order to remain competitive.

Flexible, automated plant is a national goal in Japan and there is obvious evidence that it will increasingly set up "home-grown" plants in many other countries—thus exporting unemployment.

Pianolas in modern electronic style

BY ELAINE WILLIAMS

AUTOMATIC piano players, pianolas, were once popular among middle-class families who lacked the need for a piano but felt the musical talent to play well.

Though the technology of pianos has changed little, a U.S. company has developed an electronic version of the

automatic system which can be fitted to any ordinary piano.

At £1,500 to fit the system, Messrs. Planos, London, which markets the Piano-corder, does not see it as simply a rich man's toy. It could be used, for example, to play during the interval between live music in pubs and clubs.

Instead of storing the note sequence as holes on punched paper, as did the old mechanical versions, the music is recorded digitally on an ordinary audio cassette.

These signals are interpreted by the electronic circuit to activate solenoids fitted near to each piano key and the pedals. When activated each solenoid copies the action of the human hand.

The digital recording system allows the piano to be played with the same expression as the original performance.

So far a library of more than 3,000 cassettes is available which range from classical, or jazz to modern music.

level of interest rates to make a return on premium rates which are pared to the bone.

A pharmaceutical manufacturer producing ethical drugs on a large scale placed a facultative reinsurance in the London market at a tenth of the previous rates required for products liability.

A heavy industrial engineering group in Australia with a turnover of £311,000 (£65m) managed to arrange a package liability cover in London for a premium of £380,000, which was fully supported.

Mr. Payne said: "Time and again we are faced with an unrelenting 50 per cent or more in last year's premium frequently from a competitive market comparatively new to the scene but which the broker is prepared to support provided that the security is satisfactory."

He argued that there is a need for greater discipline in the London market

INSURANCE

Uneconomic premiums come under attack

BY JOHN MOORE, CITY CORRESPONDENT

FOR THE last four years established underwriters have condemned the extent to which aggressive competitors have cut insurance premium rates to what they consider to be uneconomic levels.

While they may be concerned, there is, however, little they can do to stop the trend. Insurance is a cyclical business and when too many insurers, with too much capacity, chase business volumes which are not growing at the same rate as capacity, then premium rates fall. In the insurance world the trend is exaggerated when interest rates rise. With interest rates at historically high levels, insurers who are not making a profit on their underwriting can produce an ultimate profit through shrewd investment.

Established insurers are unhappy with this trend. They are forced to follow the rates down to maintain their market

share, although they can still disclose a respect for the high level of interest rates. They may not be making as much profit as they would like but at least their overall account can be maintained in reasonable balance at a time when the market is unhealthy.

At all insurers' conventions there is widespread condemnation of the activities of what is often mentioned as a "lunatic fringe" of new competitors who are putting pressure on insurance rates.

Lloyd's of London manages to maintain its profits at around record levels in spite of the competition, although there are signs that it is losing market share. Computer leasing losses, one of the largest series of claims in the market's history, left the market relatively unscathed although present estimates of total losses run at \$450m (£230m). Many under-

writing syndicates at Lloyd's have suffered from the series of asbestosis claims.

Asbestosis insurance claims have caused problems for Lloyd's mainly because losses materialised as a block of claims and the market was not sufficiently protected by excess of loss reinsurance.

In spite of huge losses, the Lloyd's market has managed to declare an underlying underwriting profit since the mid-1980s. And there are few signs that the market is prepared to follow rates down sufficiently to declare an overall underwriting loss.

But if rates are still going down, to what extent are they falling? The question was answered at a recent conference in London by Mr. Michael Payne, a Lloyd's underwriter.

He gave several examples to demonstrate the extent in which the less responsible end of the market is using the high

This week's business in Commons and Lords

TODAY

Commons: Mental Health (Amendment) Bill, second reading. Proceedings on the Agricultural Training Board Bill and the Industrial Training Bill.

Lords: Travel Concessions (London) Bill, report. Coal Industry Bill, second reading. Taking of Hostages Bill, third reading. Wages Councils (Abolition) Bill, second reading. Debate on hard drug taking by the young in major cities.

Select Committee — Public Accounts — subject: Financial control and accountability in the National Health Service. Witnesses: Sir Kenneth Siove, KCB, Department of Health and Social Security; Mr. A. L. Hughes, CB, Welsh Office. (Room 16, 4.45 pm.)

TOMORROW

Commons: Social Security and Housing Benefits Bill, remaining stages. Motion on the Social Security Class 1 Contributions Order, and on the State Scheme Premiums Order.

Lords: Canada Bill, committee. Prevention of Terrorism (Temporary Provisions) Act 1978 (Continuance) Order, motion for approval.

Select Committees: Environment — subject: Inquiry into the methods of financing local government in the context of the Government's green paper (Command 8449). Witnesses: Association of County Councils and Professor C. Foster. (Room 16, 4.00 pm.)

Social Services — subject: University Grants Committee cuts and medical services. Witnesses: Rt. Hon. Sir Keith Joseph, Bt, MP, Secretary of State for Education and Science and Mr. Kenneth Clark, QC, MP, Minister of State for Health. (Room 21, 3.30 pm.)

WEDNESDAY

Commons: Civil Jurisdiction and Judgments Bill, second reading. Debate on the CAP Price Proposals for 1982-83 contained in European Document 4924/82. Situation on the Industrial Relations (Northern Ireland) Order.

Lords: Debate on increase in crime and the problems involved in the maintenance of law and order and the need to strengthen and support the police.

Select Committees: Industry and Trade — subject: The Post Office. Witnesses: Post Office Unions Committee. Private Sector Competitors: Association of International Air Couriers,

and Securitor. (Room 16, 10.30 am.)

Scottish Affairs — subject: rural road passenger transport and ferries. Witnesses: Mr. Malcolm Rifkind, MP, Parliamentary Under-Secretary of State for Scotland and officials of the Scottish Development Department. (Room 5, 10.30 am.)

Welsh Affairs — subject: scrutiny of Welsh Office departments. Witnesses: Welsh Office Health and Social Work Group (Room 18, 10.30 am.)

Education, Science and Arts — subject: biotechnology. Witnesses: the Royal Society (Room 6, 11.00 am.)

Public Accounts — subject: working practices in the National Health Service. Witnesses: Sir Kenneth Siove, KCB, Department of Health and Social Security; Mr. A. L. Hughes, CB, Scottish Home and Health Department; Mr. T. P. Hughes, CB, Welsh Office. (Room 16, 4.00 pm.)

Employment — subject: the Equality of Opportunity Bill. Witnesses: Mr. David Lane, Chairman, Commission for Racial Equality (Room

5, 4.15 pm.)

Social Services — subject: age of retirement. Witnesses: Department of Health and Social Services and Government Actuary. (Room 21, 4.15 pm.)

Treasury and Civil Service Committee — subject: the 1982 Budget and the Government's expenditure plans 1982-83 and 1984-85. Witnesses: The Rt. Hon. Sir Geoffrey Howe, QC, MP, Chancellor of the Exchequer (Room 15, 4.30 pm.)

Joint Committee on Condemnation and Bills: to consider the Civil Aviation Bill (Lords), the draft Land Compensation (Northern Ireland) Order 1982 and the draft Criminal Evidence (Northern Ireland) Order 1982.

THURSDAY

Commons: Debate on law and order.

Lords: Canada Bill, third reading. Travel Concessions (London) Bill, third reading. Examination of Photographs Bill, second reading. Salvoes (Fisheries) Protection) Bill, second reading. Debate on the Government's intention to establish a bunker at Naphill, Buckinghamshire, on National Trust Land.

FRIDAY

Commons: Private Members' Motions.

Bristol Crusader at £25,000

THE Avon Crusader 3, a three-axis CNC milling machine, has been introduced by Avon Machines International of Bristol.

Costing about £25,000, the machine has been designed to use the Avon Crusader CNC system with MDI programming.

The three horsepower spindle motor offers two infinitely variable speed ranges—60-500 rev/min and 500-4,000 rev/min.

Traverses are 712 mm on the x axis, 356 mm on the y and 127 mm on the z. Feed rates on all axes are programmable between 1 and 2100 mm/min. The machine will rapid traverse at 5 m/min in all axes simultaneously.

Memory capacity of the control system is 500 data blocks. Facilities include linear and circular interpolation, mirror image machining, tool length and radius compensation and feedrate override of 0-120 per cent.

Avon Machines is at Union Road, St. Philips, Bristol (0272 277821).

From Sweden

NOW available in Britain is the Swedish IBO HFS100 high speed grinding machine. Turbine driven, the machine has exchangeable collets for various tools, an operating speed up to 80,000 rpm with a precision balanced spindle. More on 01-636 2361.

BUSINESSMAN'S DIARY UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	London Fashion Exhibition (01-385 1200) (until Mar 26)	Olympia, Westminster
Mar 25-26	Wine Fair (0734 48713)	New Horticultural Hall, Westminster
Mar 25-Apr 2	Metalworking '82 Exhibition (0737 6561) and International Metalworking Machine Tools Exhibition (01-402 6871)	NEC, Birmingham
Mar 28-Apr 1	British Exhibition of Fine Jewellery and Sterling Silver (01-493 7823)	Goldsmith's Hall, London
Mar 29-Apr 1	Audio Visual Exhibition (01-888 7783)	Wembley Conf. Centre, Olympia
Mar 31-Apr 2	Fashion Fairer Exhibition (01-385 1200)	Olympia
Apr 5-7	Concrete Society Exhibition and Conference (01-200 8252)	Met. Exh. Hall, Brighton
Apr 7-14	Birmingham Motor Show (0602 51203)	Bingley Hall, Birmingham
Apr 9-18	International Motorcyle Show (0203 27427)	NEC, Birmingham
Apr 15-19	British Pet Industry Exhibition (0233 36556)	Exhibition Centre, Harrogate
Apr 19-23	International Fire Security and Safety Exhibition — IFSSIC (01-388 7661)	Olympia
Apr 20-22	AI Electronics Show (0799 2202)	Barbican Centre, London
Apr 22-24	International Property Exhibition (01-499 8311)	Cumberland Hotel, W.1
Apr 22-May 3	International Ideal Homes Exhibition (021-705 6707)	NEC, Birmingham
Apr 23-25	Computer Fair (01-643 8040)	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Title	Venue
Current	Woodworking Machinery Exhibition (01-439 3964) (until Mar 27)	Paris
Current	Petroleum Show (01-486 1961) (until Mar 26)	Peking
Current	Middle East Business Equipment Show (01-486 1951) (until Mar 25)	Bahrain
Mar 23	Invitational Computer Conference and Exhibition (01-994 6477)	Frankfurt
Mar 23-27	International Energy and Engineering Trade Fair (01-236 0911)	Stuttgart
Mar 25-28	The South International Travel Fair—TRAVEL SOUTH (021-705 6707)	Singapore
Apr 6-9	First International Energy Technology Exhibition (01-839 5041)	Tokyo
Apr 14-23	National Mechanics Trade Fair (01-456 8686)	Sao Paulo
Apr 15-24	International Electronic Packaging and Production Equipment Exhibition — INTERNEPCON (0453 3506)	Peking
Apr 20-25	International Building Exhibition—INTERNBUL (01-486 1951)	Helsinki
Apr 22-26	International Carpet, Wallpapers, Wall Coverings and Furnishing Textiles Exhibition—PARITEX (01-438 3964)	Paris
Apr 25-29	Agricultural Industry Exhibition—SAUDI-AGRI-CULTURE (01-486 1951)	Riyadh

BUSINESS AND MANAGEMENT CONFERENCES

Mar 23	Oyez-IBC: European Symposium on the Candu Reactor (01-242 2481)	Portman Hotel, W1
Mar 23	IPS: Currency Differentials (0890 23711)	Midland Hotel, Manchester
Mar 24	CBI: Business Realities—Are We Understood? (01-379 7400)	Centre Point, WC1
Mar 25-27	The Institute of Administrative Management: Administrators of the Future (01-653 0171)	Bournemouth
Mar 25-26	DRI Europe: After the Recovery: Planning for Renewed Growth (01-222 9571)	Waldorf Hotel, WC1
Mar 25-26	The American Chamber of Commerce (United Kingdom): Operating in British Industry—An In-Depth Briefing for Senior American Executives (01-370 9176)	Dorchester Hotel, W1
Mar 26	Dun and Bradstreet: Understanding Credit and Collections (01-247 4577)	Cafe Royal, W1
Mar 29-Apr 2	RRG Conferences: Reinsurance Practice (01-236 2175)	Ryl, Westminster Hotel, SW1
Apr 4-7	University of Leeds: Freight Transport Policy—The Role of New Technology (0532 33038)	Harrrogate
Apr 6-7	Lloyd's of London Press: Ship Finance (01-730 2182)	Singapore
Apr 7	The Henry School of Forecasting: Corporate Plans after the Budget (01-383 9861)	London Press Centre, EC4
Mar 20-24	International Council of Shopping Centres: European conference on Downtown Shopping Centres (0734 88101)	Paris
Mar 23	British Institute of Energy Economics: Energy Conservation in Industry—the Anglo Swedish Experience (01-930 2233)	9 St James's Square, SW1
Mar 23	Institute of Directors annual convention (01-538 1233)	Royal Albert Hall, W8
Mar 30-Apr 2	IIA-UK: Annual European Forum on Computer Audit, Control and Security (01-828 9001)	HTH Hotel, W1

Financial Times Conferences

GOLD AND THE INTERNATIONAL MONETARY SYSTEM
 Montreux — May 11 and 12, 1982
 The FT Gold Conference in Montreux will have as its principal theme the role of gold in the international monetary system. The FT is pleased to announce that Dr Giovanni Magnifico of the Banca d'Italia will address the conference on "The Official Role of Gold."

THE ECONOMICS OF NATURAL GAS DEVELOPMENT
 Venice — June 21 and 22, 1982
 An important FT energy seminar is to be held in Venice immediately following the IGA meeting in Lausanne. Co-sponsored by Jensen Associates of Boston, the meeting will stress in particular the future for gas in developing countries. Details will be available early in April.

PORTUGAL — A NEW OUTLOOK
 Lisbon — June 21 and 22, 1982
 H.E. Dr Francisco Pinto Balsemão, the Portuguese Prime Minister, will open this international forum to be sponsored by the Financial Times and the Instituto Do Investimento Estrangeiro. Major addresses will also be given by H.E. Dr Leonardo Mathias, Secretary of State for Foreign Affairs, and H.E. Eng. Ricardo Bayão Horta, Minister for Industry, Energy and Exports.

All enquiries should be addressed to:
 The Financial Times Limited
 Conference Organisation
 Minster House, Arthur Street
 London EC4R 9AX
 Tel: 01-621 1355
 Telex: 27347 FTCONF G
 Cables: FINCONF LONDON

Handwritten signature or mark at the bottom center of the page.



KENYA

The recession that has battered the economies of Africa has not spared even the more resilient, such as Kenya: once regarded as a model mixed economy, it must now come to terms with straitened circumstances.



High standards face a critical test

BY MICHAEL HOLMAN

THE MOOD in Kenya is changing as economic problems take their toll. The painful adjustment to what the Government warned two years ago would be a "time of austerity" is under way, and inevitably the process provides political capital for government critics, and puts those in power on their mettle.

The downturn in the economy has eroded the standard of living of most of Kenya's 17m people and no relief is in sight. Politicians appear preoccupied by the rivalry of two leading ministers which has little to do with how Kenya should tackle its growing economic and social problems, and everything to do with power and personality. Government handling of Opposition, real or imagined, often smacks of the heavy handed or petty.

President Daniel arap Moi skillfully guided the country through the potentially dangerous period of transition after the death of President Jomo Kenyatta in August 1978. His "Nyayo" slogan (literally "footsteps") implied continuity and stability. He released all political detainees and began a process of bringing the Luo

people and their leader, former Vice-President Mr. Oginga Odinga, back into the mainstream of Kenyan life, from which they had been largely excluded by President Kenyatta.

President Moi also introduced populist measures—including free school milk and abolition of primary school fees—and he pledged an end to corruption.

More recently, his role as Chairman of the Organisation of African Unity (OAU) has given the President an international role in which he has won respect, despite the difficulties and divisions within the organisation.

The honeymoon is over, however. Jomo Kenyatta, who contributed little to the day-to-day running of government in his final years, was fortunate that the coffee and tea boom of 1978 came when it did. The windfall postponed the impact of balance of payments deficits, dwindling foreign exchange reserves, and the inability of the economy to maintain the extraordinary growth rates of the first decade of independence.

It is now Mr Moi who has to

explain the consequences for the economy of the international recession, sluggish commodity prices and rising fuel prices. He has to preside over a steady decline in per capita income due in part to a 4 per cent annual growth in a population for 85 per cent of that land is arid or semi-arid; smallholdings are being subdivided beyond viable levels; land hunger is increasing.

There are few new jobs in the cities—formal employment rose only 2.5 per cent in 1981. Earnings—the minimum urban wage is 450 Shillings a month (£23.40)—are eroded by inflation officially put at 13 per cent last year, and still rising.

If the consequences of failure to adjust to changing economic conditions are part of the Kenyatta legacy, the former President also left behind a party—the Kenya African National Union (KANU)—which had become ossified, intolerant and inflexible.

The party gives the impression that it has not changed over the past two-and-a-half years.

Under Mr Kenyatta, KANU

supposed to be held every two years, were rare events. The last under his reign was in the late 1960s. The next took place in 1978, after his death, when KANU had formally to elect a President—who, under the KANU constitution, would be the party's sole candidate in the general elections in 1979.

There have been no KANU elections since. Last year Mr Moi explained that much of his time was taken up by OAU affairs. KANU elections were therefore postponed and there is a possibility that they will be held towards the end of this year, or early in 1983.

The prospect is fuelling the rivalry between the two most powerful politicians next to President Moi: Mr Mwai Kibaki, the Vice-President, and Mr Charles Njonjo, the Minister of Constitutional Affairs. Both were involved in a Cabinet reshuffle last month: Mr Kibaki relinquishing the Finance portfolio he had held for 13 years, in turn taking over Home Affairs from Mr Njonjo, who re-

tained the Ministry of Constitutional Affairs.

Although both men appear to have lost ground in the reshuffle—an apparent rebuke from the President—most observers believe that Mr Njonjo was the winner: Mr Arthur Maguga, who moved into Mr Kibaki's Finance Ministry, is widely regarded as a Njonjo supporter.

The dispute—in British terms it might be seen as the Bow Group versus the Monday Club fighting for the soul of the Conservative Party—has been going on for some years. But it is a contest which could seriously damage the Kenyan body politic, if it came to a head over the office of vice-president of KANU.

The vice-president of the ruling party automatically becomes the vice-president of the country, and this would appear to be Mr Njonjo's ambition.

Both men are Kikuyus, members of different and rival clans. But perhaps the most important difference between the congenial Mr Kibaki, a London School of Economics graduate

who was highly respected as Minister of Finance, and Mr Njonjo, the former Attorney General, and a tough—some say ruthless—lawyer by training, involves the character of KANU. Aside from its failure to expose its officers to regular elections, it tends to use Tammany Hall tactics when by-elections come around. KANU has the power to veto Parliamentary candidates and few critics slip through that net. Those that do have to watch their step.

According to local politicians, Mr Kibaki believes that if Kenya is to be a *de facto* one party state—the constitution allows for Opposition parties—KANU should be capable of bringing a wide range of views into the fold. Mr Njonjo is said to be less amenable to those who do not toe a strict anti-Communist, mixed economy line, although KANU's constitution talks of the party being "founded upon the concept of African Socialism."

Where does this leave Mr Oginga Odinga, former vice-president, who in his stormy political career was detained for three years by President Kenyatta?

When Mr Moi began his rapprochement with the Luo, Mr Odinga, as their unofficial leader, played a key role. It was signalled by his appointment as chairman of the Cotton Marketing Board.

The next step was for Mr Odinga to re-enter Parliament, and a sympathetic MP stepped down. The Luo leader seemed set for an easy by-election vic-

tory when, in a speech at the coast last year, he described the late President Kenyatta as a "landgrabber." He was then barred from standing.

His supporters acknowledge that it was tactless, a serious mistake. But after a few months Mr Odinga again hit the headlines with an outspoken attack on Government. "Mass unemployment, low wages, soaring prices, shortages of food," he said last month, were caused not by high oil prices or the Western recession but by "corruption, misuse of our foreign exchange, importation of luxury goods, poor planning..."

Some of Mr Odinga's supporters advocate the formation of an Opposition Party. Another group believes they should work within the system. Given the powers at the Government's disposal, no other course is realistic, they argue.

Resolution of the debate within the "Opposition" may have to await the outcome of the dispute between Mr Kibaki and Mr Njonjo. If KANU elections are held and the former retains his post, Mr Odinga and his followers may conceivably return to the fold. If Mr Njonjo wins, this is not of the question—at least for Mr Odinga himself. If KANU elections are not held, the uncertainty in Kenyan politics will continue, and politicians will give too little attention to pressing economic problems.

It should be noted that Kenya remains one of the more open, orderly and well-run countries in Africa. Foreign investors

President Daniel arap Moi (above) with his two most senior Ministers: Vice-President Mwai Kibaki (near left) and Mr Charles Njonjo, Minister of Constitutional Affairs (far left)

remain, on the whole, prepared to ride out the hard times.

There are no political detainees. Unlike the Kenyatta era, when Mwai—the old man—hovered above the political scene like a hawk about to swoop on chickens (a description he used himself), people are more forthcoming in their criticism.

In spite of President Moi's initial campaign against corruption, it remains pervasive. However, a recent drive to clean up the books of the co-operative movement, to which most of Kenya's peasant farmers belong, appears to have had considerable success.

It is sometimes said that Kenya is judged by higher standards than those applied to many other Third World countries. If that is so, it is because the Government itself has set those standards—whether in policy papers which so frankly appraise its economic problems, or in adhering to the independence constitution worked out at Lancaster House. Today, those standards are being put to the test.

CONTENTS

Economy: growth cut by payments squeeze ... II	Tourism: hopes for an end to world recession ... III
Agriculture: slow prospects for food self-sufficiency ... II	Investment: chillier winds for foreigners ... IV
Foreign affairs: sensitive issues are spotlighted ... III	Businessman's guide ... IV
How to invest in Kenya ... III	Trade: Britain is losing its lead ... IV



BARCLAYS BANK HELPS JOHNSON & JOHNSON KEEP ITS KENYAN INTERESTS HEALTHY

In Kenya, the East African Flying Doctor Service extends the advantages of modern medical care to remote areas and their people.

The majority of Kenya's clinics, as well as the Flying Doctor Service, turn to Johnson & Johnson (Kenya) Ltd. for medical supplies—from BAND-AID Brand

adhesive bandages to surgical instruments and other specialist equipment. And to help the smooth flow of its operations, Johnson & Johnson has the aid of Barclays Bank.

Like the Flying Doctor Service, Barclays is in the right place at the right time—in 17 countries throughout Africa. With a world-wide network of

branches, Barclays is well placed to help Johnson & Johnson's world-wide organisation. In London and New York, as well as in Kenya and Zambia.

Johnson & Johnson is just one of an impressive list of customers and projects served by Barclays through our branches in eighty countries. Indeed,

we help most of the world's successful international companies. Somewhere there is a market where we can help you.

ASK BARCLAYS FIRST

BARCLAYS International



KENYA II

Economic growth cut by payments squeeze

THE CRUNCH has come. The economy of a country long regarded by the West as an African success story is now in the grip of a depression which includes exhausted foreign exchange reserves, substantial balances of payments deficits, stagnant export crops for which international prices are poor, soaring government borrowing, high inflation and a rising debt service ratio.

No one should be taken by surprise. In the sessional paper on the economy presented in Parliament in May 1980, the Government warned: "We must face squarely the fact that the coming years, and the next two years in particular, will be a time of austerity during which there will be slower growth of the economy, less employment creation, and more limited social services than were envisaged in the 1978-83 development plan."

The plan was based on a forecast of economic growth at an average annual rate of 6.3 per cent. Two constraints emerged, however: a foreign exchange shortage caused by a combination of adverse terms of trade, and a serious balance of payments deficit due to continuing increases in oil prices, an international recession combined with inflation, and an unexpectedly high level of defence spending.

The sessional paper reduced the estimated growth rate from the annual average of 8.3 per cent to 5.4 per cent. That has, in turn, proved optimistic. Growth in 1981—for which the revised target was 5.9 per cent—is estimated by the Ministry of Planning at between 3.5 and 4 per cent, an assessment regarded as too high by some observers. Growth for 1982—also 5.9 under the plan target—is put at "below 4 per cent."

Mr. Arthur Magu, who succeeded Mr. Mwai Kibaki as Minister of Finance in last month's Cabinet reshuffle, has a formidable task ahead of him.

It seems that once again the planners will have to lower their sights. A new sessional paper on the economy, which had not been published when this survey was being written, is expected to deliver a further tough message.

Officials say that the theme will be management of the economy in a hostile economic

	1976	1977	1978	1979	1980
Current account:					
Exports	6,224	9,360	7,538	7,006	9,220
Imports	8,158	10,586	14,498	13,300	19,536
(Balance of trade)	-1,934	-1,226	-7,110	-6,094	-10,316
Invisibles	1,236	1,454	2,004	2,128	3,660
Current account balance	-698	228	-5,106	-3,566	-6,856
Capital account:					
Long-term	1,274	1,678	3,360	3,620	4,300
Short-term	146	370	154	1,398	934
Capital account balance	1,420	2,048	3,490	5,018	5,234
Errors and omissions	-12	-23	58	-40	-22
Overall balance	710	2,352	-1,552	1,412	-1,444

Source: Central Bank of Kenya.

environment. The balance of payments remains the greatest challenge and the paper will set out the Government's policy of containment. The secondary challenge is the control of government spending and the more efficient use of resources.

The paper may also remind Kenyans that their population is one of the highest in the world—means that whatever measures are introduced now, the 17m population is still likely to double by the end of the century. This will place an enormous strain on Kenya's capacity to feed itself—80 per cent of the land falls into the arid or semi-arid categories—as well as on social services.

Easy options

Kenyans have already been told that the easy development options, which allowed GDP to grow in real terms at about 5.5 per cent from 1984 to 1973 and per capita incomes to rise about 30 per cent over the same period, are over.

The subdivision of large farms, which both eased land hunger and raised agricultural output, is reaching an end, and the "Kenyanisation" of an expanding civil service—which provided jobs—is complete.

Industry, characterised by import-substitution and government protection, is now losing that protection and must export in the face of tough international competition.

Against this disturbing background then, what are the current indicators on the state of

There has been further fall, however, following heavy payments for oil and servicing earlier borrowing, and in early March Kenya's reserves were at a record low of K£110m, under a month's import cover.

Meanwhile production of the two main cash crops—tea and coffee, accounting for more than 30 per cent of export earnings last year—is almost unchanged. Export revenue for the two crops of K£170m last year was only 2 per cent up on 1980, although the coming coffee crop may show an increase. Prices for the two commodities are not encouraging and Kenya acknowledges that the 1978 boom in prices—tea and coffee exports in 1977 were worth K£276m—was a rare windfall.

Like all other countries Kenya has been hard hit by the increase in oil prices.

As the 1981 Economic Survey pointed out, the net cost of petroleum and its products to Kenya has risen from K£34m in 1976 to around K£116m in 1980, when it absorbed 36 per cent of the value of non-oil exports compared with 13 per cent in 1975 and less than 1 per cent in 1972.

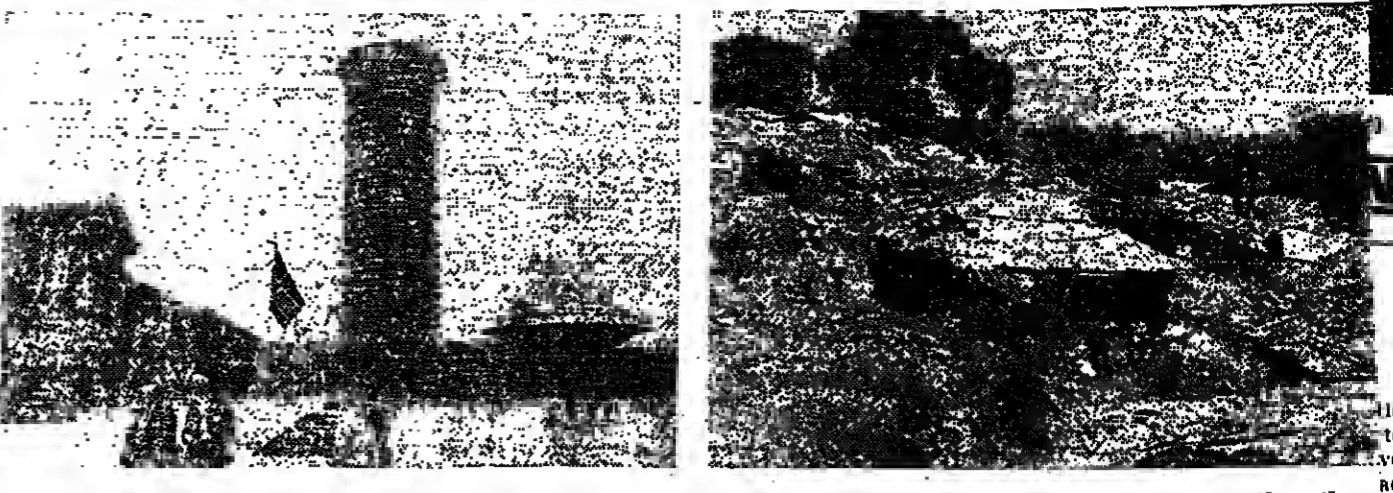
Perhaps the single most disquieting statistic in the report, however, deals with domestic credit. "While credit to the private sector increased by 8 per cent in 1981," notes the report, credit to the Government accelerated by 76 per cent from K£167m at the end of 1980 to K£294m at the end of 1981.

Private sector lending by the banks has all but dried up. In the 1980 sessional paper there appeared the warning that "there are clearly defined limits to which budget deficits can be financed by reliance on domestic sources of credit without generating uncontrollable inflationary pressures."

Many observers believe that the Government is unable to control the overborrowing by various ministries and parastatals.

There are further items to add to the list of bad news, before noting the Government's efforts to get to grips with the problems.

Kenya's external debt service ratio has risen from around 3 per cent in the early 1970s to the current level of 18-19 per cent. Last year's Eurodollar loan will probably be the last for



The shantier settlement of Mathari Valley (right) outside Nairobi illustrates the poverty which is the other face of the attractive capital—(left) the Kenyatta conference centre

some time.

Inflation, remarkably low until 1973, moved rapidly into double figures and although official estimates put it at 13 per cent last year, it could well have been higher, and will certainly rise this year. Meanwhile corruption—such as purchase of import licences and kickbacks on contracts—is said by businessmen to be pervasive.

Surveying the scene, one senior official acknowledges the problems but declares: "We will reach the bottom of the trough this year, and pull out in 1983 and 1984." He and other officials give reasons for this cautious optimism:

Incentives

- The impact of measures to ease the balance of payments problem have not been fully realised. They cite devaluation, restrictions on imports and export incentives given in last year's budget.
- Coffee and tea should perform better in the two years ahead, increasing volume and getting better world prices.
- Agricultural performance in general should improve, provided the weather is good. The price increases announced by President Moi last December, to take effect from mid year, should see a response from growers. Seasonal credit facilities for growers is more efficient, as are marketing arrangements.
- Senior civil servants are ensuring that there will be greater discipline in Government spending. The forthcoming sessional paper will emphasise this.
- The foreign exchange position will be eased when negotiations with the World Bank and IMF are finalised. A three-year World Bank structural adjustment programme worth SDR 130m should be agreed next month. And sources outside the Government say that an IMF extended financing facility worth over SDR 100m will soon be concluded, with the first tranche possible in May.
- International oil prices appear to be stabilising, even falling.
- Under President Moi there have been no more white elephants—such as the K£65m ethanol project at Kisumu,

Although Kenya has more cordial relations with the IMF than many African countries the record of past facilities has been mixed. One study of the relationship points out that three agreements in the past have broken down.

A two-year programme which began in 1980 foundered when the Treasury was unable to keep within limits imposed on its bank borrowing—partly due to an unbudgeted 30 per cent increase in civil servants' salaries.

It was replaced by a 12-month SDR 151.5m standby arrangement approved in January, but the study suggests that there was a "probability that there would again be difficulties in keeping within the ceiling on Government bank borrowing."

Noting this, and other difficulties, one donor economist commented: "Kenya has lost all its economic cushions—the margin of flexibility is reduced to nil." For a country so vulnerable to the weather and international commodity prices, that is a disquieting analysis.

	1976	1977	1978	1979	1980
IMPORTS					
Category:					
Food and live animals	283.9	259.8	428.1	302.7	949.7
Beverages and tobacco	116.5	77.3	149.6	156.6	76.9
Crude materials	223.1	334.6	283.9	251.2	308.1
Mineral fuels	2,092.9	2,361.9	2,378.4	2,850.3	6,502.8
Animal and veg. oils and fats	224.4	277.6	322.3	216.5	451.6
Chemicals	890.4	1,272.1	1,384.4	1,440.9	2,035.9
Manufactured goods	1,464.9	1,841.5	2,218.2	2,026.5	2,598.7
Machinery and transport equipmt.	3,326.3	3,602.9	5,346.4	4,241.8	5,491.3
Misc. manufactures	492.6	584.1	672.0	674.9	876.1
Other	18.8	12.9	39.8	24.6	110.5
TOTAL	8,139.9	10,625.7	13,223.1	12,385.9	19,180.6
Source: Central Bank of Kenya.					
EXPORTS					
Unroasted coffee	1,866.1	4,087.6	2,495.3	2,213.9	2,163.7
Tea	635.3	1,435.6	1,263.9	1,556.9	1,160.1
Petroleum prods.	1,278.2	1,532.1	1,268.4	1,559.8	3,254.1
Sisal	83.3	78.5	78.4	95.8	176.5
Meat	167.7	151.9	54.2	53.8	31.7
Pyrethrum	114.5	123.6	81.7	110.1	180.6
Maize	112.9	13.2	14.3	106.5	0.1
Fruit and veg.	314.8	457.9	402.7	430.5	504.6
Cement	161.4	171.3	180.1	166.9	203.1
Hides and skins	171.2	160.5	196.4	275.4	191.0
Soda ash	60.7	53.7	73.7	102.0	60.9
Other	1,305.5	1,193.6	1,173.6	1,352.4	1,826.6
Total	6,373.2	9,460.9	7,402.3	7,723.9	9,752.9

The Lion's Share

With over 86 branches and sub-branches throughout the country we can honestly claim the lion's share of banking in Kenya. Today, as Kenya's largest and longest established Bank, we're big enough to provide all of the sophisticated facilities of the international banking giants — yet small enough not to keep you waiting for decisions. We've subsidiaries who deal in leasing and medium term finance. Mortgage finance and stockbroking. And with correspondent banks around the world, you're assured of a banking service second to none.

Kenya Commercial Bank Group

Head Office: Kencom House, Moi Avenue, P.O. Box 48400, Nairobi Kenya, Tel: 336681
Telegrams: KENHO Nairobi Telex: 22231

Kenya Commercial Bank Limited, Kenya
Commercial Finance Company Limited, Savings and Loan Kenya Limited, Dyer & Blair Limited.

Slim prospects for food self-sufficiency

IT IS couched tactfully, but nevertheless a grim warning comes across. If Kenya is to reach self-sufficiency in maize—a staple food—by 1989, "production capacity will need to expand by at least 4.9 per cent a year and probably at a rate considerably in excess of this. Rates of growth of this magnitude have, in the past, only been achieved in Kenya during the brief period of rapid adoption of hybrid maize."

The warning comes from the Government's sessional paper on national food policy published last year. And in case the warning is overlooked, the paper concludes its assessment of targets for overall food production—wheat, sorghum, millet, rice, beans, potatoes, sugar, beef, milk as well as maize—with the comment: "Few countries have been able to sustain such growth in food production and the need to do so presents Kenya with a formidable challenge."

The official view is that formidable though the challenge may be Kenya will meet it. In private, however, officials express concern, while the assessment of agricultural economists and some of the Western donors is that the target will not be met and Kenya will have to live with a gap between domestic production and domestic needs, to be filled by imports.

Estimates vary slightly, but in 1981 Kenya imported some 350,000 tonnes of maize and 155,000 tonnes of wheat at a mix of concessional and commercial rates costing around £200m.

The maize shortfall was due in part to poor weather and inadequate domestic prices. An improvement in both weather and prices brought about a substantial recovery. The latest official figures show maize deliveries to the produce board more than doubling, from 218,000 tonnes in 1980 to 470,000 tonnes last year.

Wheat deliveries, however, fell 13 per cent below 1980 levels, from 218,000 tonnes to 185,000. The drop was blamed on poor weather and the subdivision of some large wheat farms into predominantly maize-producing subsistence plots.

The prospect for 1982, then, is that there will be no imports of maize, but about 130,000 tonnes of wheat will be needed, of which all but 30,000 tonnes will come from donors—and even that may yet be secured on grant or concessional terms.

In response to the substantial maize price increase of some 40 per cent (partly compensating for the 30 per cent devaluation of the shilling against the U.S. dollar in 1981), effective from July, the coming crop could well see a surplus over domestic needs.

Despite the recovery of maize there remains considerable concern about food production:

- The weather contributes to a cyclic pattern of agricultural production in which a couple of

cent a year between 1972 and 1975, while drought contributed to a decline of 0.8 per cent in 1979 and 1.3 per cent in 1980.

Although the good weather and higher prices saw total agricultural output increase in volume by an estimated 5 per cent last year, according to the quarterly review, recorded marketed production of all crops increased in volume by less than 1 per cent.

- About 80 per cent of Kenya's land is arid or semi-arid. Soil erosion on arable land has

cent a year between 1972 and 1975, while drought contributed to a decline of 0.8 per cent in 1979 and 1.3 per cent in 1980.

Although the good weather and higher prices saw total agricultural output increase in volume by an estimated 5 per cent last year, according to the quarterly review, recorded marketed production of all crops increased in volume by less than 1 per cent.

- About 80 per cent of Kenya's land is arid or semi-arid. Soil erosion on arable land has

Missing from the food paper is any proposal on land tenure. This involves rationalising the land tenure system, increasing the rate of land adjudication (ownership is a critical factor in agricultural credit), setting minimum viable land holdings, ending land speculation, setting a ceiling on land ownership, and taxing absentee landlords. The Government has been slow to move on politically sensitive issues, however.

If food prospects appear gloomy, cash crops look somewhat more encouraging. The two main export crops, tea and coffee, continue to be the critical foreign exchange earners accounting for about a third of receipts in 1980.

Although output has held steady however, there have been mixed results in the international markets. In 1981, 91,000 tonnes of coffees were delivered to the Board, a little under the previous year. But the drop in world prices saw producers' gross income drop 14 per cent from K£15m in 1980 to K£10.5m last year, according to the Ministry of Economic Planning's quarterly review.

Further, following the introduction of quotas in September 1980, under the International Coffee Organisation agreement, Kenyan stocks have been building up, and one unofficial local estimate anticipates stocks reaching the equivalent of one year's production by the end of 1982.

Tea deliveries in 1981 rose slightly from 80,000 tonnes in 1980 to 81,000 tonnes. Kenya has overtaken India as Britain's largest supplier of the crop. The value of tea exports rose slightly from K£55m in 1980 to K£60m last year.

The history of the Kenya Tea Development Authority (KTDA) is an extraordinary success story—a rare example of a successful agricultural parastatal," notes one development official. Since its establishment in 1964 KTDA has overseen an expansion from 4,000 acres that year to 132,000 acres farmed by 138,000 smallholders producing one of the world's best quality teas. KTDA now accounts for over a third of the national crop. Unhappily, the prospects for higher world prices look poor, and the producer countries have been unable to agree on a joint strategy to push them up.

CROP	Estimated production			Annual production growth rate	
	1980	1983	1989	1980-83	1980-89
	— ('000 tons) —			— (per cent) —	
Maize*	1,942	2,777	3,514	12.7	6.8
Wheat flour	142	282	483	27.2	14.8
Sorghum/millet	369	445	583	6.4	4.8
Rice	23	86	90	42.1	18.4
Potatoes	140	252	344	21.5	10.5
Beef	450	450	450	0	0
Milk	147	188	314	8.8	8.8
	1,259	1,615	2,058	8.7	5.5

* Maize production figure for 1980 is an average of 1976 and 1980.
Source: Sessional Paper No. 4, 1981, National Food Policy.

good seasons may be followed by three or four years of bad to indifferent weather — and Kenyan farmers are at present anxiously awaiting the start of the rains.

- The history of Kenyan farming, even back to the settler days," says one agricultural economist, "is that nothing goes completely right in any given year—credit problems, late deliveries of fertiliser, army worm, drought, lack of storage, wrong prices. If one allows for a combination of natural disaster and management problems there is no prospect of sustained self-sufficiency."
- Agriculture has passed from what the former Minister of Finance, Mr. Mwai Kibaki, called "soft options" to "hard options." The impressive growth rate in the decade after independence—5.8 per cent a year between 1964 and 1972—was achieved through an increase in smallholder production as former white-owned farms were subdivided. There was also the one-off benefit from the introduction of hybrid maize. Growth was only 2 per

increased and the population is rising rapidly, at 4 per cent a year, which will double the current 17m Kenyans by the end of the century. By then there will be less than 0.2 hectares of high potential land per head, having fallen from 0.75 hectares in 1965.

In Central Province, for example, all but 7 per cent of high- and medium-potential land is being cropped says the sessional paper. "The remaining land already supports livestock populations which are too large to be sustained efficiently from the grazing available."

The "hard" agricultural option includes more intense cultivation of land, increased yields on the better land, and costly and difficult exploitation of semi-arid land.

• The food policy paper's call for a 360,000 tonnes strategic reserve presents difficulties: it must come from domestic surpluses because imported maize would be too expensive. Yet the Government will find it hard to support domestic funding given the prospect of continued spending cuts.

Kenya Commercial Bank

KENYA III

President Moi is finding himself in an invidious position as Chairman of the OAU

Sensitive issues come under a spotlight

PRESIDENT MOI's role as Chairman of the Organisation of African Unity (OAU) has given Kenya its highest profile in foreign affairs since independence in 1963.

But while OAU issues, and relations with neighbours, understandably dominate foreign policy, Kenya is adding its voice to the debate on international economic problems and their effect on Africa.

Kenya was ever smug about the predicament of some of its neighbours, sheetering behind the coffee boom of the mid-1970s and the aid benefits accruing to one of the West's proteges in Africa, it is no longer. The economy is in serious difficulties and spokesmen for this avowedly anti-communist country with a mixed economy are beginning to make much the same points in the North-South debate as, for example, socialist Tanzania.

developing countries." The speaker is not Mr Oginga Odinga, publicly rebuked by President Moi for expressing broadly similar sentiments. Nor is it Tanzania's Dr Julius Nyerere, though he has been saying much the same thing for years. It is Dr Robert Ouko, Foreign Minister of Kenya, in a speech last month marking the anniversary of the death of Tom Mboya, one of the country's outstanding politicians.

Kenya, says Dr Ouko, is still largely viewed as "a supplier of raw materials and cheap labour." Sigh of relief These are not the issues which grab the headlines, however. Two subjects have preoccupied Dr Ouko and President Moi, who became OAU chairman after hosting the July summit last year: Chad and Western Sahara. And when President Moi hands over his responsibilities to the Libyan leader, Col. Muammar Gaddafi, in August he may well give a private sigh of relief. He will have presided over the 50-member organisation during one of the most difficult years in its history. The contentious issues of Chad and Western Sahara have overshadowed the two other subjects on which the OAU reaches comfortable unanimity: Namibia and South Africa.

early problems. Member states contributed only half the 6,500-strong force proposed and the U.S.\$160m estimated annual cost of the assistance from France and the United States. The difficulties were a factor in forcing the OAU to draw up, at a meeting in Nairobi earlier this year, a timetable for a ceasefire in Chad's civil war and a negotiated constitution and elections by June 30, which looked unrealistic even at the time, and are now certainly in jeopardy.

In the case of Western Sahara the OAU proposal that the dispute be settled by referendum was undermined last month when a majority of OAU members meeting at ministerial level voted to recognise Polisario, the guerrilla organisation seeking independence for the territory.

Nineteen members walked out in protest in what is the most serious division in the OAU since it split in 1976 over support for MPLA and UNITA, the guerrilla forces in Angola. The admission of Polisario, said Dr Ouko in an interview with the Financial Times, "led to a lot of confusion." But, he went on, "no action by the Council of Ministers or the Secretary General (Mr Egan Kodo) can halt the work of the committee established by the heads of state last July." Work on implementation of the referendum proposal will continue, he says. As for Chad, "we will press

ahead with seeking agreement on a constitution under which elections can be held." But he acknowledges that the two issues are a considerable challenge. He fears that the OAU does face a crisis, which poses a threat to the unity of the organisation.

Yet despite the trials, the Organisation survives.

"Keeping it together at all in the face of these difficulties," says Dr Ouko, "is an achievement by itself" owing much to President Moi's "cool head and great wisdom."

Talking shop

The President has been in an invidious position. Had the OAU under his chairmanship confined itself to platitudes and expressions of concern, the Organisation would have been open to charges made in the past — that it is little more than a talking shop.

No one, least of all President Moi and Dr Ouko, underestimated the hurdles presented by Chad and Western Sahara. If current efforts fail, at least the President, who has devoted a considerable amount of his time to OAU affairs, can say that an attempt was made but he will be reminded of his own words when the Chad force was first set up. It will, he said, "be a test of the OAU credibility." It is a test which is in danger of failing.

On Namibia, Dr Ouko believes that despite what he calls

"painfully slow progress" towards a settlement, "there is some movement forward in which President Moi has played a significant role." The British Foreign Secretary, Lord Carrington, briefed Mr Moi during his visit to Kenya earlier this month and British officials feel that Kenya is now less critical of the Western settlement proposals.

Reviewing regional links, Dr Ouko describes contacts with Uganda and Sudan as good, but there is no sign of an improvement in relations with Tanzania — which recently gave political asylum to a backbench Kenyan MP. The border, closed in 1977, is unlikely to reopen before the three members (Kenya, Tanzania and Uganda) of the defunct East Africa Community have agreed on the allocation of the Community's assets and liabilities.

A further meeting is due soon to discuss the report on the subject by Dr Viktor Umbricht, the World Bank-appointed mediator. But the sharp political differences (despite growing mutual concern about international economic conditions) between the two countries, and the latter's concern about the impact of Kenyan goods on Tanzanian industry should the border reopen, will also have to be resolved.

Yet a common enemy can override political differences, as the cordial relations with the Marxist government of Ethiopia shows. Both governments — who have exchanged state visits — remain concerned about the territorial ambitions of Somalia. Although both President Moi and President Siad Barre of Somalia have stated their desire to improve relations, the rapprochement has yet to be tested.

President Renée of the Seychelles continues to accuse senior Kenyan officials of complicity in last year's unsuccessful coup attempt against his government by South African mercenaries. Dr Ouko repeats the denial his government issued at the time: "The Kenya government is not involved, and at no time was it involved."

South Africa does surface in another capacity, however. President Moi's fellow heads of state have tactfully refrained from raising two issues which are seldom publicly discussed in Kenya: the daily air links between Nairobi's Kenyatta International airport and South

Africa, and a 1980 agreement allowing the United States access to Kenyan port and airport facilities.

For International Airlines (Kenya Airways itself does not fly the route) the Nairobi-Johannesburg leg is an invaluable facility on a continent in which only a handful of countries permit air links with the Republic. The traffic helps Kenya, too, by increasing its convenience as a tourist centre and contributing millions of Kenyan pounds a year from landing fees and the sale of aviation fuel.

Kenya nevertheless fervently condemns apartheid. Dr Ouko last month declared: "South African freedom fighters within and outside the country must be supported and encouraged to maintain and even intensify the tempo of the armed struggle. Countries which by deliberate policy or through dihering indifference support the evil system of apartheid... through investment, trade or military franchise should cease to do so."

Condemnation

The U.S.'s role in Kenya is as sensitive as any suggestion that such condemnation of Pretoria may be incompatible with the flourishing air links.

The backlogs of both U.S. and Kenyan officials rise if one refers to "bases" rather than "access to Kenyan facilities." U.S. officials maintain that the U.S.\$50m programme at the Indian Ocean port of Mombasa is primarily in the interests of American seamen seeking recreation after tedious weeks at sea policing the Indian Ocean.

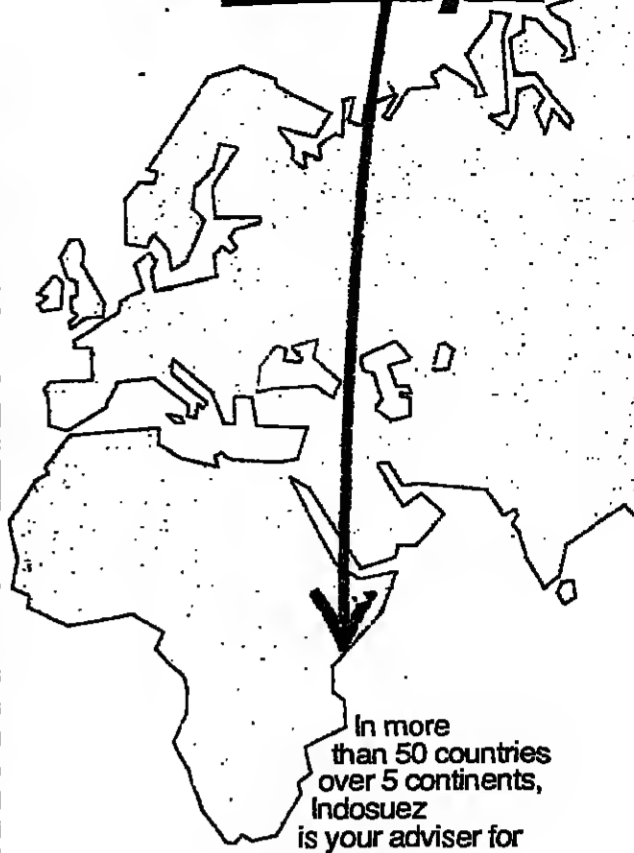
The harbour is being widened and deepened so that aircraft carriers can dock instead of anchoring at sea and subjecting shore-bound sailors to the discomfort of liberty boats. Last year there were 40 ship visits.

Work is also under way on a second runway at Moi International airport, Mombasa, which will improve handling facilities for the huge C41 aircraft bringing in supplies.

Equally discreet about their role is the British Government, which uses Kenyan terrain and barracks for training. Up to 700 men, including SAS units, can be in Kenya at any one time.

M.H.

here in Kenya



INDOSUEZ BANQUE DE L'INDOCHINE ET DE SUEZ

Paris Central Office: 44, rue de Courcelles, 75008 Paris Tel.: 561.20.20 - Telex: INSU X 650409 F London 52/60 Bishopsgate, London EC 2N 1AR - Tel.: 568.49.41 P.O. Box 69,562 Nairobi - Tel.: 333987 Telex: 883276 INDOSU G Nairobi Reinsurance Plaza - Taifa Road P.O. Box 87941 Mombasa - Tel.: 333987 Telex: 23091 INDOSU K Mombasa Palli House (First Floor) - Nyerere Avenue P.O. Box 87941 Mombasa - Tel.: 315816 Telex: 21292 INDOMSA K Regional manager Kenya: Daniel MASSON Advisor: Ali Othman NACER

Guidelines on how to invest in Kenya

Investors in Kenya often find themselves baffled and harassed by the maze of government channels that have to be followed before they can start a business.

All new investments and expansions must be approved by the New Projects Committee which falls under the Ministry of Industry but also has representatives from the Ministries of Finance, Planning, Agriculture, Water Development, Commerce (for export), the Office of the President (for land allocation) and Kenya Industrial Estates.

The Industrial and Commercial Development Corporation, the Development

Finance Company of Kenya and the Industrial Development Bank — government development bodies which often participate as shareholders or lenders in larger projects — also sit on the committee.

Projects of KES5m and over must also be approved by an economic subcommittee in the Cabinet. Approval can take from six months to a year or even longer, depending on the size and complexity of the project and the terms that are requested by the investor.

The process is hastened if a sound, comprehensive feasibility study is submitted and a company representative is on hand to answer ques-

tions. Submissions are scrutinised for job creation, cost feasibility, return on investment, realistic market share and the local equity component.

The type of capital equipment is another crucial issue as the Kenyans are wary of over-invoicing of inferior machinery. Past instances of dumping means that second-hand machinery is almost never allowed. Preference is given to businesses with Kenya-African participation (although this is not a requirement), or that are based outside the Nairobi-Mombasa industrial complex, and to export ventures.

The New Projects Com-

mittee approves machinery imports but concessions, work permits and exchange control approvals must be obtained individually.

Sales tax rebates on machinery, which must be negotiated, are obtained through the Ministry of Finance. Duty drawbacks and protective tariffs, if agreed upon, are applied for through the Industrial Protection Committee.

Exchange control is handled by the Central Bank while work permits, which are required for all non-Kenyans, are granted by the Department of Immigration once they are satisfied the job requires an aptitude not available in Kenya.

Tourist industry hopes for an end to world recession

THERE IS growing pessimism at present among the men and women who run Kenya's tourist industry: the hotel-keepers, the tour operators, the hotel and lodge suppliers, the tourist shops and curio emporiums.

Tourism has for years been Kenya's growth industry, bringing in upwards of KES60m a year in foreign exchange. Although doom is by no means in sight, there is a lot of gloom as world recession has taken its toll. There are also other factors at work. Figures, just released by the Government indicate a marginal slide, a reversal of the traditionally upwards trend. They show that from January to October 1981 (in the delightful jargon of the tourist trade), a total of 3,869,000 bednights were occupied, compared with 3,876,000 in the same period in 1980: a fall of 0.4 per cent. The trade in Kenya is eternally optimistic, however, and several grand new hotels have been built, especially along the coast. Last year hotel capacity increased from 6,912,000 bednights to 7,076,000 bednights, or by 2.3 per cent. Sadly there just were not enough tourists to fill them all.

Visitors from Europe continue to be the hotels' main customers, mostly Germans, Swiss, Austrians, French,

Italians and British, though many Britons prefer to spend their nights at up-country lodges. Tourists from North America, Scandinavia and Asia have declined in numbers, but this has been partially offset by increasing numbers of tourists from other African countries, especially expatriates from Zimbabwe and Zambia.

Some upmarket tour operators claim that well-heeled American tourists are coming back, paying anything up to U.S.\$5,000 for a luxury photographic safari (carpeted tents, champagne and uniformed waiters) among the wild animals of the Kenyan bush. Many of these would once have been hunters, but Kenya's Government banned hunting some years ago.

It is the delights of the Kenyan coast, the sun, the fine, wide unpolled beaches, and the excellent hotels which have always drawn the majority of tourists to Kenya, however. Many Germans come back again and again, for example, to hotels where menus are printed in German, waiters know the correct German phrases and, up the coast at Malindi, most of the shop signs are painted in German.

The coast is the hub of the industry, and a great deal of German and Swiss investment has been poured into many

beach hotels north and south of Mombasa.

The Severin group has built three hotels adjacent to each other at Bamburi Beach: with three different price brackets one for each sector of the market. All are served by a common grillroom, disco and casino, but each has its own swimming pool. Reports say this trio is well able to ride out the current market vicissitudes.

Three new hotels have also opened up at Diani Beach, south of Mombasa. They were begun when prospects looked good.

It was the "high season," beginning just before Christmas and the New Year and ending in March and April, which set the warning light flashing along the beaches from Diani to Malindi. Almost every hotel had beds on offer for Christmas, an unheard-of event, and there were reports of 30 per cent vacancies in February.

It is difficult to predict tourist levels in the low season, May to August, though many hotels are trying to recoup possible losses with special discounted rates for Kenyan residents during that period.

The industry was dealt a serious blow when certain charter companies, among them British Sovereign tours, were

denied rights to carry passengers to Mombasa, using the recently upgraded Moi airport. No less than four charter companies are waiting for decisions on licences from the Civil Aviation Board. One charter company cancelled his plans. The travel trade considers that a minimum of 15 months is needed to market package tours, and they must have assurances on continuity.

The Ministry of Tourism welcomes what is called "up market" flights. It defends the moves taken as "motivated in the desire to protect Kenya Airways and by the need to optimise the nation's share of the benefits accruing from air transport operations."

The Ministry does not favour the lower end of the market using luxury hotels on full board. The Government view is that "this type of tourist does not benefit the country and it could be claimed that Kenya is subsidising the stay of such holidaymakers."

It seems that the limitations placed on direct charters from Britain and Europe are a major cause of the depressed market in Kenya, and the Kenya Association of Tour Operators says the whole situation has been worsened by lack of contact between them and the Ministry.

Tourists these days are not easy to come by. The world recession has caused the traditional sources of tourists to shrink, and long-haul destinations have been badly hit by the rising costs of air fares due to high fuel prices. There is also criticism of poor marketing by Kenya in Britain and Europe.

The recent Kenya economic report refers briefly and blandly to "problems in the licensing of charters." It looks as though these problems will have to be resolved soon or there is likely to be another downturn in tourist levels next year, which most hotels and the trade generally can ill afford.

Tourist industry operators at the coast believe that a busy charter traffic is the only chance for Kenyan tourism to regain its former healthy state. Whether the authorities take this point is a matter of the utmost importance to the thousands involved in the industry.

John Worrall



Malindi beach, up the coast from Mombasa, is a popular resort for German tourists. European visitors continue to be the main customers but the drop in tourists from North America and Asia has been partly offset by increasing numbers from other African countries

Advertisement for Indosuez Reinsurance and Security Worldwide. Features a large graphic of a globe and the text: 'REINSURANCE AND SECURITY WORLDWIDE'. Includes contact information for Nairobi and Mombasa.

KENYA IV

Chillier winds for foreign investors

IN JANUARY 1978, Mr Mwai Kibaki, Minister for Finance for 13 years until the February Cabinet reshuffle, set out what came to be known as Kenya's hard options. At the time the country was sailing on the crest of the coffee boom but Mr Kibaki and Kenya's other top leaders had the foresight to assess the temporary nature of those sunny days of spending and to consider the structural adjustments needed to preserve Kenya's reputation as an economic showpiece.

The essence of Mr Kibaki's message was clear. Investment in Kenya had become too concentrated in inefficient import substitution industries sheltered behind tariff barriers and import restrictions. Structural adjustment meant building an export-orientated and competitive industrial sector, with greater Kenyan ownership and the encouragement of agricultural development and agro-industries at the expense of urban infrastructure.

The results to date have been slow to materialise. A severe shortage of domestic capital combined with the Kenyan inclination towards lucrative property deals and large cars has blunted local interest in fixed capital investment.

At the same time foreign investors have had to reassess the efficiency of their operations since the Government restricted the generous protection that once existed in the form of monopolies, bans on competitive imported goods and concessions on sales tax and customs duty on inputs. This, combined with the depressed state of the economy, is scaring

Entrepreneurs

Neither investment levels nor an ownership profile of industry in Kenya have ever been collated but it is generally thought that foreign ownership accounts for about half of all investment. The balance is held by state development banks and Kenyan citizens—both Europeans and Asians—and a growing number of small Kenyan African entrepreneurs.

The number of big Kenyan industrialists could fit comfortably around a dinner table. Britain is still the biggest foreign investor because of historical precedence. British investment is estimated at some \$500m, followed by investment

of some \$315m, while West Germany has invested DM 96m. DM 61m of this is channelled through Deg, that country's equivalent of the Commonwealth Development Corporation. Other important foreign investors come from Switzerland, France, Italy and India. The Japanese prefer to trade and their exposure in the country is low.

The present period of recession is emerging as a critical moment for evaluating attitudes towards foreign investors. During the 1970s growth of industrial output averaged just over 10 per cent. In that time the manufacturing base grew apace so that today it accounts for about 15 per cent of Gross Domestic Product (GDP). But last year output increased by only about 5 per cent, on a par with performance for 1980. This is worryingly below the 9 per cent growth stipulated in the current five-year development plan.

At a Paris donor's conference in July, Mr Kibaki said that Kenya needs \$50m of external capital just to meet some of the development plan targets. A good half of this will be met by grants and concessional loans but the balance will have to be found either through private investment, commercial loans or suppliers' credits.

In direct conflict with the critical need for foreign investment is the academic suspicion among bureaucrats of the media and nationalists' objectives and methods. In everyday life this is translated into what businessmen perceive as harassment and lack of communication.

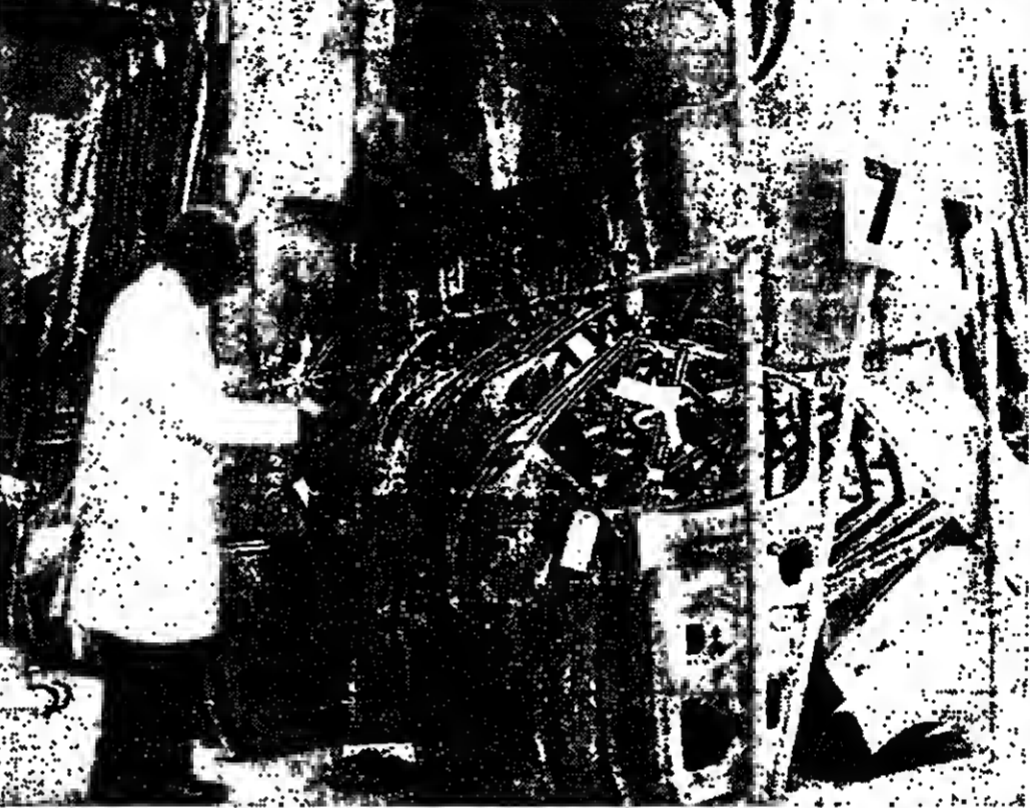
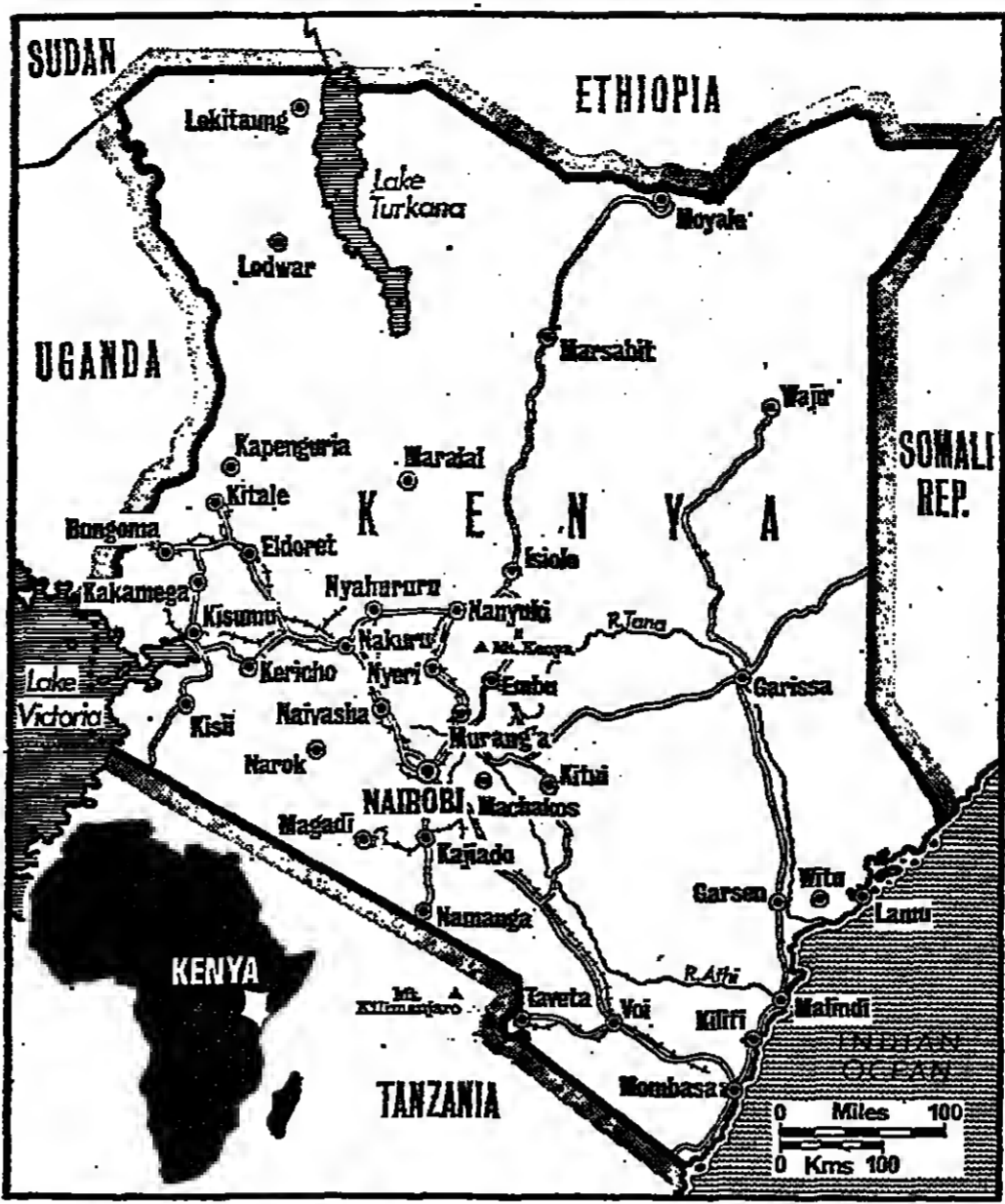
Holding back

The Firestone tyre group provides an example. Firestone had been holding back retained earnings with a view to building a \$150m expansion to its tyre plant, even though its 10-year monopoly agreement expired in October 1979.

When the Government invited a second tyre manufacturer to invest, Firestone decided to remit the money back to the U.S. Free remittance of profits is guaranteed under the Foreign Investment Protection Act but Firestone was refused exchange control approval. Firestone filed a claim to OPEC, for the sequestered \$50m. The problem was finally resolved but Kenya's image has been tarnished.

Other businessmen report instances of haggling over the transfer of technical service or management fees. One company had its management fee cheque bounce. An embarrassed central bank quickly rectified the situation. Nor can investors, potential or established, be blamed for succumbing to passing moments of insecurity or confusion.

When Mr Walter Scheel, chairman of DEG, did a promotional trip to Kenya in February the Kenyans gave him a shopping list of new enterprises they would like supported. One was an ethanol plant—although the country already has two about to come onstream. Another was a PVC plant—although it has already been agreed with an Indian company that it will invest in one.



Motor vehicle knocked down parts in an automobile assembly plant

Nevertheless, there is virtually no backlog in the remittance of profits. While import licences are subject to sporadic clampdowns governed by foreign reserve levels, foreign exchange approval for raw materials and spare parts currently takes only one month.

The Kenyans realise they cannot implement their objectives without trading on a few toes, but the long-term goals are considered worth it. At the instigation of the World Bank the Government is taking its first step towards becoming a fully fledged trading nation by trying to raise manufactured goods to a standard that is competitive in the global marketplace.

That is why we are discouraging monopoly situations," explained an official in the Ministry of Industry, "when an industrial sector is being established we have to offer protection, but it can't last for ever." That is why pragmatic officials, who have acquired a modicum of muscle when it comes to negotiations, are being less accommodating.

For instance, Firestone, enjoyed tax concessions on imported raw materials and capital goods. Britain's Dunlop, which is currently negotiating for the second tyre plant, is unlikely to get these concessions. One reason is that the Kenyans feel that too much protection makes manufacturers unable to compete on the world market.

Economists also point out that foreign content is a high 45 per cent, signalling a drain on foreign exchange. There are no legal requirements for local content so manufacturers tend to look abroad for raw materials.

Mary Anne Fitzgerald



There are few places in Africa more comfortable than Kenya and its capital, Nairobi with its international class hotels, good restaurants, a pleasant climate and the coast or game parks within easy reach for a weekend off. The following guide might, however, make life even easier. Telephone numbers are all for Nairobi.

MAIN MINISTERS AND PERMANENT SECRETARIES

- Office of the President. Tel: 27411. Chief Secretary and Head of the Civil Service, Mr Jeremiah Kierulid.
- Permanent Secretary, Development Co-ordination and Cabinet Office: Mr S. Nyachae.
- Vice-President and Minister of Home Affairs: Mr Mwai Kibaki. Tel: 28411. Permanent Secretary: Mr D. Mwiraria.
- Minister for Constitutional Affairs: Mr Charles Njonjo.
- Permanent Secretary: Mr J. K. Njoto.
- Minister for Finance: Mr Arthur Hagaga. Tel: 33511. Permanent Secretary: Mr Haris Mule. Financial Secretary: Mr J. Karuga.
- Minister for Economic Planning and Development: Mr Z. Onyika. Tel: 33811. Permanent Secretary: Mr F. Y. O. Masakhalla.
- Minister of Agriculture: Mr M. Walyaki. Tel: 120030. Permanent Secretary: Mr F. M. Njuguna.
- Minister of Foreign Affairs: Mr Robert Ouka. Tel: 33433. Permanent Secretary: Mr J. G. Shamalla.
- Minister of Commerce: Mr J. H. Okwanya. Tel: 28411. Permanent Secretary: Mr J. A. Kipani.
- Minister of Tourism: Mr E. Mwangale. Tel: 331030. Permanent Secretary: Mr A. W. Mbogho.
- Minister of Industry: Mr A. J. Onanga. Tel: 24261. Permanent Secretary: Mr J. W. Githuku.
- Minister of Transport and Communications: Mr H. K. Kosgey. Tel: 26441. Permanent Secretary: Mr S. J. Mbogho.
- Minister of Local Government: SS ole Oloitipit. Tel: 32411. Permanent Secretary: Mr L. M. Kabeta.

Colin Leys, Heinemann, 1975. "Kenya: In the second decade." I.B.T. (World Bank), John Hopkins University Press, 1975.

"Petals of Blood." Ngugi wa Thiong'o, Heinemann. A novel on modern Kenya by the country's leading writer. For reading out: Kathy Eldon's "Guide to Restaurants in Kenya." Kenway, Nairobi. The two English daily papers published in Nairobi are The Standard and The Daily Nation. The Weekly Review, edited by Hillary Ngweno, provides invaluable coverage of political and economic events in Kenya and elsewhere.

- ### EMBASSIES
- British High Commission. Tel: 335944.
 - Canada. Tel: 334033.
 - France. Tel: 28373.
 - Ireland. Tel: 26771-4.
 - Japan. Tel: 332955.
 - Netherlands. Tel: 27111.
 - Nigeria. Tel: 23321/24681.
 - Sweden. Tel: 29042-5.
 - United States. Tel: 334141/334150.
 - USSR. Tel: 20233.
 - West Germany. Tel: 26661/26662-3.

- ### EXCHANGE RATE
- £1 = KSh 956
 - \$1 = KSh 525
 - KSh = Shillings 20

CURRENCY

Visitors must complete a currency declaration on arrival. Retain your exchange receipts: Kenya International airport will change Kenyan notes back into major currencies when the form and receipts are produced.

- ### HOTELS
- Intercontinental. Tel: 22631; tel 335550.
 - Hilton. Telex 22252; tel 334000.
 - Norfolk. Telex 22555; tel 335422.
 - Serena. Telex 23377; tel 337978.
 - New Stanley. Telex 22223; tel 333233.

HEALTH

Tap water is safe. Visitors should have cholera and yellow fever vaccination certificates. If you intend travelling far from the main towns, temporary membership of the Flying Doctor service is 25 Kenyan shillings. In return it provides free airflights to the nearest medical facilities. Malaria prophylactics should be taken.

- ### BANKS
- Central Bank, Haile Selassie Avenue. Tel: 26431.
 - Barclays, Standard, Bank of Credit and Commerce, Citibank, First National Bank of Chicago, Grindlays, Habib Bank are among the banks with offices in Nairobi.

- ### MAIN AIRLINES
- Kenya Airways. Tel: 29291/822171.
 - British Airways. Tel: 334362/334440.
 - El Al. Tel: 338560.
 - Swissair. Tel: 331012.
 - Transworld. Tel: 24036/20265.
 - Pan Am. Tel: 23551.
 - Lufthansa. Tel: 333319/26271.
 - KLM. Tel: 332673/74/75.

- ### RESTAURANTS
- Mario's Mezzanine Floor, International Life House (tel. 27150).
 - Jardin de Paris, at the French Cultural Centre (tel. 336435). Does not take credit cards.
 - Bob's Bistro (tel. 21152).
 - Rail Restaurant (tel. 28045).

Some of our joint venture investments in Kenya:

- CPC Industrial Products (Kenya) Ltd
- Robinson Hotels (Mombasa) Ltd
- Simbarite Ltd
- Sokoro Fibreboards Ltd
- Thika Cloth Mills Ltd

Among many other dynamic projects in Africa

SIFIDA Société Internationale Financière pour les Investissements et le Développement en Afrique
8c, avenue de Champel — 1211 Geneva 12/Switzerland
Telephone 47 60 00 — Telex 22 047 sifid ch

INVEST IN KENYA WITH I.C.D.C.

We are the largest development finance institution established by the Kenya Government for the purpose of promoting rapid industrial and commercial development in Kenya. We enjoy the full confidence of our Government and people, as well as that of the world business community.

Since independence, the political stability prevailing in the country, coupled with attractive investment terms as spelled out in the Foreign Investment Protection Act (1964), have provided an ideal climate for investment. For example, we have established over 60 joint ventures with foreign and local investors. Our joint venture portfolio includes textiles, vehicle assembly, tyre manufacture, deep sea fishing, pulp and paper, pharmaceuticals, battery manufacture, radio manufacture and many other projects. In fact, there is hardly an aspect of Kenya's industry and commerce in which we are not involved.

We invite investors from all over the world to become our partners in the industrial and commercial development of Kenya and will be pleased to provide information and guidance on possible areas of investment.

For further information, please contact

The Executive Director
Industrial and Commercial Development Corporation
P.O. Box 45519, Nairobi, Kenya
Telephone: Nairobi 29213
Telegrams: INDUSDEV
Telex: 22429

Kenya is heavily dependent on international trading patterns Pressure on Britain's trading lead

IN 1980 fate played a cruel trick on Kenya. Just when the country had decided to take a bold stride towards becoming a competitive trading nation, a global recession set in dragging Kenya along in its wake. First introduced in the 1979-83 Development Plan and reiterated in subsequent national Budgets, the concept was to lift quantitative import restrictions and raise tariff barriers to stimulate manufacturing efficiency.

In return for initiating the system the World Bank, the principal architect of the reforms, embarked on a programme of structural adjustment loans to shore-up mounting deficits. But the ambitious export drive has stalled. Empty coffers have prompted sporadic but harsh import restrictions.

As a result manufactured exports, relying on a high level of foreign content, have stagnated; and prices for commodities—coffee and tea are two of the top foreign exchange earners—have softened on the international market.

Today the balance of payments continues to be a headache, although the trade deficit is estimated to have fallen from Kenyan 2143m in 1980 to Kenyan 2372m last year. According to official figures, much of the blame for declining exports is laid at the door of a fall of Tanzania's socialist President Julius Nyerere. In February 1977 Nyerere summarily closed the border between the two countries, a move that accelerated the dissolution of the East African community. Since then Kenyans have been lamenting the loss of one of the most lucrative markets for their manufactured goods.

Tanzanian trade dropped by 70 per cent the following year and will not recover until the border is reopened.

But Tanzania's past importance dim in the context of overall trade patterns. Ugandan purchasing power overtook Tanzania in 1980, and it continued to be Kenya's top African trading partner right through the economically chaotic days of Amin's rule and the tentative attempts at reconstruction that have followed. Ugandan purchases from Kenya reached a record high in 1980 although they dropped last year.

Neither is Africa a developed marketplace for Kenya. Regional trade is constrained by a general lack of foreign exchange and inadequate infrastructure. Only a quarter of Kenya's exports remain within the continent. Virtually all of the balance goes to the industrialised countries, primarily in the form of commodities such as coffee, tea, pyrethrum, sisal, pineapples, processed meat and nuts.

To narrow the discrepancy between the north-south flow Kenya has been attempting to put back on its import demands. The bill for many imported goods, particularly machinery and transport equipment, decreased last year. As a result of arbitrary central bank clampdowns on foreign exchange allocations import licences for cars and other goods regarded as luxury items have not been issued since the end of 1980. More essential items such as spare parts and raw materials currently take about a month to clear with the Central Bank. This is considered a reasonable time lag. Kenya's main trading partners are Britain, West Germany, France, Italy, U.S. and Japan.

The short term import demand is not expected to increase more than 5, to 10 per cent which, as a Western diplomat pointed out, will barely keep abreast of inflation. This trend has created a new tension amongst supplied nations and given rise to suspicion and mistrust over national methods of competition. Although credit conditions in OECD countries are regulated by an agreement, some countries seem to be more adept at operating within those parameters than others.

Britain has always been Kenya's foremost trading partner, but the edge is becoming gradually less decisive as the old boy network established in colonial times crumbles in the face of the jockeying tactics of newcomers such as the French and the Japanese. Britain's export figures for last year are not yet available but they are expected to be 40 per cent down from 1980.

British officials in Nairobi said that the drop results from Kenya's cutback on consumer goods. If the figures for the first four months of 1981 are extrapolated, exports of machinery and transport equipment will fall by a third while exports of manufactured and consumer goods will drop by only one-fifth. Lord Carrington, Secretary of State for Foreign and Commonwealth Affairs, conceded Britain's trading margin was narrowing when he visited Kenya earlier in March. "All countries in recession are looking for trade in other parts of the world," he said. "We are determined to keep our share of the market and if possible to increase it."

Hoopes for recovery of

Britain's share of the Kenya market this year are pinned on several large purchases of capital goods that are in the offing. There is a \$80m turkey sugar project in Busia in western Kenya. Booker Agriculture International in London with Fletcher and Stewart, and Tate and Lyle are competing against Indian, French and Japanese bidders. But Tite and Lyle are including some Japanese plant in their presentation because the rate of the yen has made Japanese prices more attractive than ever. Kenya Airways is spending \$23m on carries and another \$20m is going towards port equipment.

Last year Britain lost a contract for container handling equipment at Mombasa to the French, who offered better credit terms.

French machinery sales are boosted by lines of credit extended to Kenya specifically for this purpose. Last year FFr 284m was handed out for equipment. Another FFr 300m is due to be signed up this April. With 35 years allowed for repayment the terms are more or less irresistible. The loans are composed of concessional government money and bank funds which results in an interest rate mix of 7 per cent. The French and the formula so successful they are extending the lines of credit on a yearly basis. As for genuine development aid, a French diplomat neatly sidestepped the issue by explaining: "We don't have enough money for infrastructure."

British sales on the commercial market are sometimes assisted by the aid for trade provision, an ODA fund that can inject a grant element of 20 to 30 per cent into sales that have a true developmental value. If competition from other nations can be proved as a serious threat to winning the contract.

Total expenditure for the global pool averages about £60m a year, just over twice the value of French subsidies to Kenya this year.

Another stumbling block for sales is Kenya's sinking credit rating—about sixth in black Africa—and chronic cash shortage. Most government export insurance bodies, with the exception of the Japanese, have required local bank guarantees before covering suppliers. But banks have been very reluctant to grant them.

Tight credit

Credit terms are becoming even tighter. A large Kenyan industrial concern with international partners went shopping for machinery this January and discovered that the ECGD, Hermes of West Germany and Austria's OKB state bank all demanded a guarantee from a reputable international bank.

As one banker put it, "What international bank would guarantee a Kenyan importer?" The French have got round this problem. The January they extended a FFr 50m line of credit to the state-owned Kenya Commercial Bank to be used specifically as guarantees for covers from Cofaces, the French insurance body.

Britain may not be matching these terms—which in some observers' eyes amount to outright subsidies—but officials question the rationale behind the sales scramble. Mr Simon Hemans, Deputy British High Commissioner, says: "The credit race is self-defeating in the end. If you end up buying your own exports you haven't helped the economy in the long run."

M.A.F.

WORLD STOCK MARKETS

NEW YORK

Table of New York stock market data including various stock prices and indices.

NEW YORK

Table of New York stock market data including various stock prices and indices.

NEW YORK

Table of New York stock market data including various stock prices and indices.

CANADA

Table of Canadian stock market data including various stock prices and indices.

HOLLAND

Table of Dutch stock market data including various stock prices and indices.

HONG KONG

Table of Hong Kong stock market data including various stock prices and indices.

EMBASSIES

Table listing embassy information for various countries.

EXCHANGE RATE

Table showing exchange rates for various currencies.

CURRENCY

Table providing currency-related data and information.

HOTELS

Table listing hotel information and services.

HEALTH

Table listing health-related information and services.

BANKS

Table listing bank information and services.

MAIN AIRL

Table listing main airline information and services.

RESTAURANTS

Table listing restaurant information and services.

INDICES

Table showing various stock market indices and their values.

AUSTRIA

Table of Austrian stock market data including various stock prices and indices.

GERMANY

Table of German stock market data including various stock prices and indices.

SOUTH AFRICA

Table of South African stock market data including various stock prices and indices.

Financial Times logo and publication information at the bottom of the page.

MONEY MARKETS

Europe's changing face

London was one of the few major financial centres where interest rates were little changed last week, although on Monday and Tuesday it looked like being a very different story.

The European trends which prevailed were cut in German, Dutch and Swiss interest rates and a build up of speculation against the French and Belgian francs, tending to take the pressure off sterling.

On Friday Paris call money rose to its highest level for five months at 17 per cent, although period rates eased slightly after touching 17 per cent on Thursday, a rise of 2 1/2 percentage points from the end of the previous week.

BANK OF ENGLAND TREASURY BILL TENDER table with columns for March 19 and March 18, showing applications and accepted bids.

WEEKLY CHANGE IN WORLD INTEREST RATES table with columns for Mar. 19 change and Mar. 19 change, listing rates for London, New York, Frankfurt, Tokyo, and Brussels.

FT LONDON INTERBANK FIXING table with columns for 6 months U.S. dollars and 6 months U.S. dollars, showing bid and offer rates.

LONDON MONEY RATES table with columns for Mar. 19 and Mar. 18, listing rates for various currencies and instruments.

The floating rates (Mar. 19) are the arithmetic means, rounded to the nearest one-tenth, of the bid and offered rates for 30 days.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 13 1/2 per cent, four years 14 1/2 per cent, five years 15 1/2 per cent.

EURO-CURRENCY INTEREST RATES (Market closing Rates) table with columns for Mar. 19 and Mar. 18, listing rates for various currencies and terms.

THE DOLLAR SPOT AND FORWARD table with columns for Mar. 19, Mar. 18, and Mar. 17, listing spot and forward rates for various currencies.

CURRENCIES AND GOLD

Falling francs

Several members of the European Monetary System came under growing pressure last week as the foreign exchange market took more notice of economic and political factors and less of pure interest rate movements.

also at a best ever level against the Italian lira, the weakest member of the EMS, rising to L1,306 from L1,284. A slight firming of Eurodollar rates also helped the dollar rise to DM 2,330 from DM 2,370 against the D-mark.

GOLD

Gold Bullion (One ounce) table with columns for Mar. 18 and Mar. 17, listing prices for various gold bullion types.

FORWARD RATES AGAINST STERLING

Forward Rates Against Sterling table with columns for Spot, 1 month, 3 months, 6 months, and 12 months, listing rates for various currencies.

OTHER CURRENCIES

Other Currencies table with columns for Mar. 18 and Mar. 17, listing exchange rates for various currencies.

CURRENCY MOVEMENTS

Currency Movements table with columns for Mar. 19 and Mar. 18, listing percentage changes for various currencies.

EXCHANGE CROSS RATES

Exchange Cross Rates table with columns for Mar. 18 and Mar. 17, listing cross rates for various currencies.

AUTHORISED TRUSTS

Large table listing various authorized trusts and investment services, including Abbey Unit Trst, Abbey Unit Trst, Abbey Unit Trst, etc., with columns for name, address, and contact information.

